

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-39232

Rush Street Interactive, Inc.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

84-3626708

(I.R.S. Employer
Identification No.)

**900 N. Michigan Avenue, Suite 950
Chicago, Illinois 60611**

(Address of principal executive offices, including zip code)

(312) 915-2815

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.0001 par value per share	RSI	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 4, 2022, there were 64,056,803 shares outstanding of the registrant's Class A common stock, \$0.0001 par value per share, and 156,373,584 shares outstanding of the registrant's Class V common stock, \$0.0001 par value per share.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Report”) contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, as amended, that reflect future plans, estimates, beliefs and expected performance. The forward-looking statements depend upon events, risks and uncertainties that may be outside of our control. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Any statements contained herein that are not statements of historical fact may be forward-looking statements.

Our projections, including for revenues, market share, expenses and profitability, are subject to significant risks, assumptions, estimates and uncertainties. You are cautioned that our business and operations are subject to a variety of risks and uncertainties, many of which are beyond our control, and, consequently, our actual results may differ materially from those projected.

Factors that could cause or contribute to such differences include, but are not limited to, the following:

- competition in the online casino, online sports betting and retail sports betting (i.e., such as within a bricks-and-mortar casino) industries is intense and, as a result, we may fail to attract and retain customers, which may negatively impact our operations, growth prospects and financial condition;
- economic downturns, such as recessions, and political and market conditions beyond our control, including a reduction in consumer discretionary spending and sports leagues shortening, delaying or cancelling parts of their seasons or certain events due to COVID-19, could adversely affect our business, financial condition, results of operations and prospects;
- our growth prospects may suffer if we are unable to develop or maintain successful offerings, if we fail to pursue additional offerings or if we lose any of our executives or other key employees;
- our business is subject to a variety of U.S. and foreign laws (including the laws of Colombia, Canada and Mexico, where we have business operations), many of which are unsettled and still developing, and our growth prospects depend on the legal status of real-money gaming in various jurisdictions;
- failure to comply with regulatory requirements or to successfully obtain a license or permit applied for could adversely impact our ability to comply with licensing and regulatory requirements or to obtain or maintain licenses in other jurisdictions, or could cause financial institutions, online platforms and distributors to stop providing services to us;
- we rely on information technology and other systems and platforms (including reliance on third-party providers to validate the identity and location of our customers and to process customer deposits and withdrawals), and any breach or disruption of such information technology could compromise our networks and the information stored there could be accessed, disclosed, lost, corrupted or stolen;
- we have a history of losses and may continue to incur losses in the future;
- our officers and directors allocating their time to other businesses and potentially having conflicts of interest with our business;
- the requirements of being a public company, including compliance with the U.S. Securities and Exchange Commission (“SEC”) requirements regarding internal controls over financial reporting, may strain our resources and divert management’s attention, and the increases in legal, accounting and compliance expenses that may continue to arise as a result of us being a publicly listed company may be greater than we anticipate;
- we license certain trademarks and domain names to Rush Street Gaming, LLC (“RSG”) and its affiliates, and RSG’s and its affiliates’ use of such trademarks and domain names, or failure to protect or enforce our intellectual property rights, could harm our business, financial condition, results of operations and prospects;
- we currently and will likely continue to rely on licenses and service agreements to use the intellectual property rights and technology of related or third parties that are incorporated into or used in our products and services; and

- other factors described in our Annual Report on Form 10-K for our most recently completed fiscal year, including the “Business”, “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosures about Market Risk” sections, as well as described in our other filings with the SEC, such as this Report, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K.

Due to the uncertain nature of these factors, management cannot assess the impact of each factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any of these statements to reflect events or circumstances occurring after the date of this Report, unless required by law. New factors may emerge, and it is not possible to predict all factors that may affect our business and prospects.

Limitations of Key Metrics and Other Data

Our key metrics, which include monthly active users (“MAUs”) and average revenue per MAU (“ARPMU”), are calculated using internal company data and numbers based on the activity of our users’ accounts. While these data and numbers are based on what we believe to be reasonable estimates of our user base and activity levels for the applicable period of measurement, there are inherent challenges in measuring usage of our offerings across large online and mobile populations based in numerous jurisdictions. In addition, we continuously seek to improve our estimates of our user base and user activity, and such estimates may change due to improvements or changes in our methodology.

We regularly evaluate these metrics to estimate the number of “duplicate” accounts among our MAUs and remove the effects of such duplicate accounts on our key metrics. A duplicate account is one that a user maintains in addition to his or her principal account. Generally, duplicate accounts arise as a result of users signing up to use more than one of our brands (i.e., BetRivers, PlaySugarHouse and RushBet) or to use our offerings in more than one jurisdiction, for instance when a user lives in New Jersey but works in New York. Our estimates of duplicate accounts are based on an internal review of a limited sample of accounts, and we apply significant judgment in making this determination. For example, to identify duplicate accounts we use data signals such as similar IP addresses or usernames. Our estimates may change as our methodologies evolve, including through the application of new data signals or technologies, which may allow us to identify previously undetected duplicate accounts and may improve our ability to evaluate a broader population of our users. Duplicate accounts are very difficult to measure, and it is possible that the actual number of duplicate accounts may vary significantly from our estimates.

Our data limitations may affect our understanding of certain details of our business. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or make adjustments to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated. In addition, our key metrics and related information and estimates, including the definitions and calculations of the same, may differ from those published by third parties or from similarly titled metrics of our competitors due to differences in operations, offerings, methodology and access to information.

The data and numbers used to calculate MAUs and ARPMU discussed in this Report only include U.S. and Canada-based users of our online real-money offerings unless stated otherwise.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

RUSH STREET INTERACTIVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands except for share and per share data)

	June 30, 2022	December 31, 2021
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 201,682	\$ 281,030
Restricted cash	26,625	19,299
Players' receivables	7,153	5,829
Due from affiliates	25,464	28,159
Prepaid expenses and other current assets	11,133	7,433
Total current assets	272,057	341,750
Intangible assets, net	60,223	53,380
Property and equipment, net	8,299	7,232
Operating lease right-of-use asset, net	1,416	1,562
Other assets	4,600	4,807
Total assets	\$ 346,595	\$ 408,731
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 3,539	\$ 6,501
Accrued expenses	54,222	48,287
Players' liabilities	31,568	24,160
Deferred royalty, short-term	1,495	1,415
Operating lease liabilities, short-term	548	509
Other current liabilities	1,988	3,062
Total current liabilities	93,360	83,934
Deferred royalty, long-term	14,877	15,633
Operating lease liabilities, long-term	899	1,148
Other long-term liabilities	266	315
Total liabilities	109,402	101,030
Commitments and contingencies		
Stockholders' equity		
Class A common stock, \$0.0001 par value, 750,000,000 shares authorized as of June 30, 2022 and December 31, 2021; 64,056,803 and 61,118,406 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	6	6
Class V common stock, \$0.0001 par value, 200,000,000 shares authorized as of June 30, 2022 and December 31, 2021; 156,373,584 and 158,702,329 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	16	16
Additional paid-in capital	173,723	167,270
Accumulated other comprehensive income (loss)	(616)	(475)
Accumulated deficit	(104,410)	(81,381)
Total stockholders' equity attributable to Rush Street Interactive, Inc.	68,719	85,436
Non-controlling interests	168,474	222,265
Total stockholders' equity	237,193	307,701
Total liabilities and stockholders' equity	\$ 346,595	\$ 408,731

See accompanying notes to condensed consolidated financial statements.

RUSH STREET INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands except for share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenue	\$ 143,736	\$ 122,800	\$ 278,674	\$ 234,620
Operating costs and expenses				
Costs of revenue	104,882	84,760	204,740	164,447
Advertising and promotions	44,742	37,543	111,591	79,759
General administration and other	16,610	11,768	32,150	28,332
Depreciation and amortization	3,290	914	6,027	1,588
Total operating costs and expenses	169,524	134,985	354,508	274,126
Loss from operations	(25,788)	(12,185)	(75,834)	(39,506)
Other income (expenses)				
Interest expense, net	(223)	(17)	(445)	(30)
Change in fair value of warrant liabilities	—	—	—	41,802
Change in fair value of earnout interests liability	—	—	—	(13,740)
Total other income (expenses)	(223)	(17)	(445)	28,032
Loss before income taxes	(26,011)	(12,202)	(76,279)	(11,474)
Income tax expense	2,335	1,752	4,337	2,556
Net loss	\$ (28,346)	\$ (13,954)	\$ (80,616)	\$ (14,030)
Net loss attributable to non-controlling interests	(20,014)	(10,187)	(57,587)	(10,246)
Net loss attributable to Rush Street Interactive, Inc.	\$ (8,332)	\$ (3,767)	\$ (23,029)	\$ (3,784)
Net loss per common share attributable to Rush Street Interactive, Inc. – basic	\$ (0.13)	\$ (0.06)	\$ (0.37)	\$ (0.07)
Weighted average common shares outstanding – basic	63,976,146	59,163,547	62,889,746	53,093,129
Net loss per common share attributable to Rush Street Interactive, Inc. – diluted	\$ (0.13)	\$ (0.06)	\$ (0.37)	\$ (0.24)
Weighted average common shares outstanding – diluted	63,976,146	59,163,547	62,889,746	55,452,029

See accompanying notes to condensed consolidated financial statements.

RUSH STREET INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net loss	\$ (28,346)	\$ (13,954)	\$ (80,616)	\$ (14,030)
Other comprehensive loss				
Foreign currency translation adjustment	(1,923)	(268)	(409)	(892)
Comprehensive loss	\$ (30,269)	\$ (14,222)	\$ (81,025)	\$ (14,922)
Comprehensive loss attributable to non-controlling interests	(21,378)	(10,383)	(57,863)	(10,923)
Comprehensive loss attributable to Rush Street Interactive, Inc.	\$ (8,891)	\$ (3,839)	\$ (23,162)	\$ (3,999)

See accompanying notes to condensed consolidated financial statements.

RUSH STREET INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
(Amounts in thousands except for share data)

	Class A Common Stock		Class V Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity Attributable To RSI	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2021	61,118,406	\$ 6	158,702,329	\$ 16	\$ 167,270	\$ (475)	\$ (81,381)	\$ 85,436	\$ 222,265	\$ 307,701
Share-based compensation	—	—	—	—	1,145	—	—	1,145	2,792	3,937
Foreign currency translation adjustment	—	—	—	—	—	426	—	426	1,088	1,514
Issuance of Class A Common Stock upon RSILP Unit Exchanges	2,808,745	—	(2,808,745)	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	(14,697)	(14,697)	(37,573)	(52,270)
Allocation of equity and non-controlling interests upon changes in RSILP ownership	—	—	—	—	3,458	(8)	—	3,450	(3,450)	—
Balance at March 31, 2022 (Unaudited)	63,927,151	\$ 6	155,893,584	\$ 16	\$ 171,873	\$ (57)	\$ (96,078)	\$ 75,760	\$ 185,122	\$ 260,882
Share-based compensation	69,652	—	—	—	1,128	—	—	1,128	2,752	3,880
Foreign currency translation adjustment	—	—	—	—	—	(559)	—	(559)	(1,364)	(1,923)
Acquisition of trademark intangible asset	60,000	—	480,000	—	786	—	—	786	1,914	2,700
Net loss	—	—	—	—	—	—	(8,332)	(8,332)	(20,014)	(28,346)
Allocation of equity and non-controlling interests upon changes in RSILP ownership	—	—	—	—	(64)	—	—	(64)	64	—
Balance at June 30, 2022 (Unaudited)	64,056,803	\$ 6	156,373,584	\$ 16	\$ 173,723	\$ (616)	\$ (104,410)	\$ 68,719	\$ 168,474	\$ 237,193

	Class A Common Stock		Class V Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity Attributable To RSI	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2020	44,792,517	\$ 4	160,000,000	\$ 16	\$ —	\$ —	\$ —	\$ 93	\$ (61,892)	\$ (61,779)	\$ (205,550)	\$ (267,329)
Share-based compensation	571,239	—	—	—	—	—	2,557	—	—	2,557	9,019	11,576
Foreign currency translation adjustment	—	—	—	—	—	—	—	(143)	—	(143)	(481)	(624)
Issuance of Class A Common Stock upon exercise of Warrants	14,014,197	2	—	—	—	—	70,144	—	—	70,146	189,749	259,895
Repurchase of Class A Common Stock	—	—	—	—	218,589	(850)	—	—	—	(850)	(2,615)	(3,465)
Settlement of earnout interests liability	—	—	—	—	—	—	79,779	—	—	79,779	285,009	364,788
Net loss	—	—	—	—	—	—	—	—	(17)	(17)	(59)	(76)
Allocation of equity and non-controlling interests upon changes in RSILP ownership	—	—	—	—	—	—	8,757	—	—	8,757	(8,757)	—
Balance at March 31, 2021 (unaudited)	59,377,953	\$ 6	160,000,000	\$ 16	218,589	\$ (850)	\$ 161,237	\$ (50)	\$ (61,909)	\$ 98,450	\$ 266,315	\$ 364,765
Share-based compensation	18,125	—	—	—	—	—	1,259	—	—	1,259	3,402	4,661
Foreign currency translation adjustment	—	—	—	—	—	—	—	(72)	—	(72)	(196)	(268)
Distributions paid to non-controlling interest holders	—	—	—	—	—	—	—	—	—	—	(337)	(337)
Net loss	—	—	—	—	—	—	—	—	(3,767)	(3,767)	(10,187)	(13,954)
Allocation of equity and non-controlling interests upon changes in RSILP ownership	—	—	—	—	—	—	36	—	—	36	(36)	—
Balance at June 30, 2021 (Unaudited)	59,396,078	\$ 6	160,000,000	\$ 16	218,589	\$ (850)	\$ 162,532	\$ (122)	\$ (65,676)	\$ 95,906	\$ 258,961	\$ 354,867

See accompanying notes to condensed consolidated financial statements.

RUSH STREET INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Six Months Ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net loss	\$ (80,616)	\$ (14,030)
Adjustments to reconcile net loss to net cash used in operating activities		
Share-based compensation expense	7,817	16,237
Depreciation and amortization expense	6,027	1,588
Deferred income taxes	46	(437)
Noncash lease expense	241	139
Change in fair value of earnout interests liability	—	13,740
Change in fair value of warrant liabilities	—	(41,802)
Changes in operating assets and liabilities:		
Players' receivables	(1,324)	(3,931)
Due from affiliates	2,695	14,133
Prepaid expenses and other current assets	(3,700)	263
Other assets	161	(491)
Accounts payable	(3,049)	(6,693)
Accrued expenses and other current liabilities	4,008	3,521
Players' liabilities	7,408	7,310
Deferred royalty	(676)	(41)
Lease liabilities	(302)	71
Net cash used in operating activities	(61,264)	(10,423)
Cash flows from investing activities		
Purchases of property and equipment	(1,769)	(844)
Acquisition of gaming licenses	(1,027)	(2,349)
Internally developed software costs	(5,578)	(1,820)
Investment in long-term time deposits	—	(250)
Acquisition of trademark intangible asset, net of cash acquired	(1,540)	—
Net cash used in investing activities	(9,914)	(5,263)
Cash flows from financing activities		
Proceeds from shares issued for warrants	—	131,588
Repurchase of common stock	—	(3,465)
Principal payments of finance lease liabilities	(455)	(457)
Distributions paid to non-controlling interest holders	—	(337)
Net cash (used in) provided by financing activities	(455)	127,329
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(389)	(888)
Net change in cash, cash equivalents and restricted cash	(72,022)	110,755
Cash, cash equivalents and restricted cash, at the beginning of the period ⁽¹⁾	300,329	262,065
Cash, cash equivalents and restricted cash, at the end of the period ⁽¹⁾	\$ 228,307	\$ 372,820

	Six Months Ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Supplemental disclosure of noncash investing and financing activities:		
Right-of-use assets obtained in exchange for new or modified finance lease liabilities	\$ 410	\$ 1,374
Right-of-use assets obtained in exchange for new or modified operating lease liabilities	\$ 196	\$ —
Non-cash redemption of Private Placement and Working Capital Warrants	\$ —	\$ 50,798
Non-cash settlement of Public Warrants	\$ —	\$ 77,509
Non-cash settlement of Earnout Interests Liability	\$ —	\$ 364,788
Allocation of equity and non-controlling interests upon changes in RSILP ownership	\$ 3,386	\$ 8,793
Class V Common stock issued to acquire trademark intangible asset	\$ 2,400	\$ —
Class A Common stock issued to acquired trademark intangible asset	\$ 300	\$ —
Increase in accounts payable for property and equipment purchases	\$ 87	\$ 17
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 5,025	\$ 2,313
Cash paid for interest	\$ 476	\$ 14

(1) Cash and cash equivalents and Restricted cash are each presented separately on the condensed consolidated balance sheets.

See accompanying notes to condensed consolidated financial statements.

RUSH STREET INTERACTIVE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business

Rush Street Interactive, Inc. is a holding company organized under the laws of the State of Delaware and, through its main operating subsidiary, Rush Street Interactive, LP and its subsidiaries (collectively, “RSILP”), is a leading online gaming company that provides online casino and sports betting in the U.S., Canadian and Latin American markets. Rush Street Interactive, Inc. and its subsidiaries (including RSILP) are collectively referred to as “RSI” or the “Company.” The Company is headquartered in Chicago, IL.

Impact of COVID-19

The COVID-19 pandemic has adversely impacted global commercial activity, disrupted supply chains and contributed to significant volatility in financial markets. The ongoing COVID-19 pandemic could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown such as a recession. The COVID-19 pandemic therefore presents material uncertainty and risk with respect to the Company and its performance and could affect its financial results in a materially adverse way.

The COVID-19 pandemic has significantly impacted RSI. Beyond disruptions in normal business operations, the COVID-19 pandemic has had a continued impact on consumer habits and preferences, with many consumers opting to avoid crowded public places such as land-based casinos. COVID-19 has also impacted sports betting due to the rescheduling, reconfiguring, suspension, postponement and cancellation of sports seasons and sporting events or exclusion of certain players or teams from sporting events, which has tended to reduce customers’ use of, and spending on, our sports betting offerings.

Most major professional sports leagues have largely resumed their activities in accordance with their planned schedules. The continued return of major sports and sporting events has generated significant interest and user activity in our sports betting product offerings. However, the possibility remains that sports seasons and sporting events may be rescheduled, reconfigured, suspended, postponed and/or cancelled due to COVID-19 outbreaks.

The Company’s revenues vary based on sports seasons and sporting events, among other factors, and cancellations, suspensions or alterations resulting from COVID-19 may adversely affect the Company’s revenue, possibly materially. However, the Company’s online casino offerings do not rely on sports seasons and sporting events, thus, they may partially offset this adverse impact on revenue.

The future effects of COVID-19 and the related impacts on consumer behavior is currently unknown. A significant or prolonged decrease in consumer spending on entertainment or leisure activities would likely have an adverse effect on demand for RSI offerings, reducing cash flows and revenues, thus materially harming the business, financial condition and results of operations. In addition, a significant uptick in COVID-19 cases or an emergence of additional variants or strains could cause other widespread or more severe impacts depending on where infection rates are highest. As steps taken to mitigate the spread of COVID-19 have necessitated a shift away from a traditional office environment for many employees, the Company has implemented business continuity programs to help ensure that our personnel were safe and that the business continues to function with minimal disruptions to normal work operations while personnel worked remotely. The Company will continue to monitor developments relating to disruptions and uncertainties caused by COVID-19.

2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and the applicable regulations of the SEC regarding interim financial reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2021 included in the Company’s Annual Report on Form 10-K, as filed with the SEC on March 7, 2022.

These unaudited condensed consolidated financial statements include the accounts of the Company, its directly and indirectly wholly owned subsidiaries, and all entities in which the Company has a controlling interest. RSI is deemed to have a controlling interest of RSILP through its wholly owned subsidiary RSI GP, which is the sole general partner of

RUSH STREET INTERACTIVE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

RSILP. For consolidated entities that are less than wholly owned, third party holdings of equity interests are presented as Non-controlling interests in the Company's condensed consolidated balance sheets and condensed consolidated statements of changes in equity (deficit). The portion of net earnings attributable to the non-controlling interests is presented as Net loss attributable to non-controlling interests and Comprehensive loss attributable to non-controlling interests in the Company's condensed consolidated statements of operations and condensed consolidated statements of comprehensive loss. All intercompany accounts and transactions have been eliminated upon consolidation.

The Company is organized as an umbrella partnership-C corporation, or UP-C, structure, as a result of the transactions contemplated in the Business Combination Agreement, dated as of July 27, 2020, among RSILP, the sellers set forth on the signature pages thereto (collectively, the "Sellers" and each, a "Seller"), dMY Sponsor, LLC (the "Sponsor") and Rush Street Interactive GP, LLC (as amended and/or restated from time to time, the "Business Combination Agreement" and the transactions contemplated thereby, the "Business Combination"). As an UP-C, substantially all of the combined company's assets are held by RSILP and the Company's primary assets are its equity interests in RSILP (which are held indirectly through wholly owned subsidiaries of the Company – RSI ASLP, Inc. (the "Special Limited Partner") and RSI GP, LLC ("RSI GP"), which is the general partner of RSILP). The Company controls RSILP through RSI GP, the general partner of RSILP. The non-controlling interest represents the Class A Common Units of RSILP ("RSILP Units") held by holders other than the Company. As of June 30, 2022, the Company owned 29.06% of the RSILP Units and the holders of the non-controlling interest owned 70.94% of the RSILP Units.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no impact on the Company's reported total revenues, expenses, net loss, current assets, total assets, current liabilities, total liabilities, stockholders' equity, non-controlling interests or cash flows. No reclassifications of prior period balances were material to the condensed consolidated financial statements.

Interim Unaudited Condensed Consolidated Financial Statements

The accompanying condensed consolidated balance sheet as of June 30, 2022, the condensed consolidated statements of operations, comprehensive loss, changes in equity for the three and six months ended June 30, 2022 and 2021, and the condensed consolidated statement of cash flows for the six months ended June 30, 2022 and 2021 are unaudited. The condensed consolidated balance sheet as of December 31, 2021 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The interim unaudited condensed consolidated financial statements have been prepared on a basis consistent with the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company's financial condition, its operations and cash flows for the periods presented. The historical results are not necessarily indicative of future results, and the results of operations for the three and six months ended June 30, 2022 are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates and assumptions reflected in the condensed consolidated financial statements relate to and include, but are not limited to: the valuation of share-based awards; long-lived assets and investments in equity; the estimated useful lives of property, equipment, and intangible assets; redemption rate assumptions associated with the Company's player loyalty program and other discretionary player bonuses; deferred revenue relating to the Company's social gaming revenue stream; accrued expenses; determination of the incremental borrowing rate to calculate operating lease liabilities and finance lease liabilities; valuation of the earnout interests liability; valuation of the warrant liabilities; and deferred taxes and amounts associated with the tax receivable agreement (the "Tax Receivable Agreement") entered into in connection with the closing on December 29, 2020 of the transactions contemplated in the Business Combination Agreement (the "Closing").

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Intangible Assets, Net

Trademark Asset

On June 10, 2022, the Company entered into an agreement to purchase all of the equity interests of Rush Street Productions, LLC, a Delaware limited liability company (“RSP”), in exchange for \$1.5 million cash (net of \$0.7 million cash acquired), 480,000 RSILP Units and the same number of newly issued Class V Common Stock, par value \$0.0001 per share of the Company (the “Class V Common Stock”), valued at \$2.4 million and 60,000 Class A Common Stock of the Company valued at \$0.3 million. The Company also assumed \$0.5 million of outstanding liabilities and incurred \$0.4 million of transaction costs directly attributable to the acquisition.

To account for the transaction, the Company applied the definition of a business in *ASC 805-10, Business Combinations – Overall* and concluded that the asset set acquired does not constitute a business as substantially all of the fair value of the acquired assets was concentrated in a single asset. Therefore, the transaction has been accounted for as an asset acquisition in accordance with *ASC 805-50, Business Combinations — Related Issues*.

The acquired trademark asset represents an intangible assets that is recognized at its relative fair value in accordance with *ASC 350-30, General Intangibles Other Than Goodwill*. Goodwill is not recognized in an asset acquisition and, as such, any consideration that exceeds the fair value of the net assets acquired is allocated to the identifiable assets based on relative fair values.

The Company capitalized a \$5.1 million trademark intangible asset representing the total consideration paid of \$4.2 million, assumed liabilities of \$0.5 million, and legal and consulting fees incurred that were directly attributable to the asset acquisition of \$0.4 million. The asset is recognized in Intangible Assets, Net on the Company’s condensed consolidated balance sheet as of June 30, 2022 and is amortized over the estimated useful life of five years using the straight-line method. The asset acquisition is presented on the condensed consolidated statement of cash flows as Net cash used in investing activities.

Foreign Currency Gains and Losses

The financial statements of foreign subsidiaries are translated into U.S. dollars in accordance with *ASC 830, Foreign Currency Matters*, using period-end exchange rates for assets and liabilities, and average exchange rates for the period for revenues, costs and expenses. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in equity as a component of Accumulated other comprehensive income (loss).

If transactions are recorded in a currency other than the subsidiary’s functional currency, remeasurement into the functional currency is required and may result in transaction gains or losses. Transaction losses were \$0.5 million and \$0.6 million for the three and six months ended June 30, 2022, respectively, as compared to less than \$0.1 million for the same periods in 2021. Amounts are recorded in General administrative and other on the Company’s condensed consolidated statement of operations.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Together with subsequent amendments, this ASU sets forth a “current expected credit loss” model, which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This ASU replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost, available-for-sale debt securities and applies to certain off-balance sheet credit exposures. This ASU is effective for the Company in calendar year 2023. The Company is currently assessing the impact of the adoption of this ASU on its condensed consolidated financial statements.

In August 2020, the FASB issued ASU 2020-6, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. This ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, and it also simplifies the diluted earnings per share calculation in certain areas. This ASU is effective for the Company for fiscal years beginning after December 15, 2023,

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including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2021 and adoption must be as of the beginning of the Company's annual fiscal year. The Company is currently evaluating the impact of this ASU on its condensed consolidated financial statements and related disclosures.

3. Revenue Recognition

The Company's revenue from contracts with customers is derived from online casino, online sports betting, retail sports betting and social gaming.

Online casino and online sports betting

Online casino offerings typically include the full suite of games available in land-based casinos, such as blackjack, roulette and slot machines. For these offerings, the Company generates revenue through hold, or gross winnings, as customers play against the house. Online casino revenue is generated based on total customer bets less amounts paid to customers for winning bets, less other incentives awarded to customers, plus or minus the change in the progressive jackpot liability.

Online sports betting involves a user placing a bet on the outcome of a sporting event, a series of sporting events, a sports-related activity or a series of sports-related activities, with the chance to win a pre-determined amount, often referred to as fixed odds. Online sports betting revenue is generated by setting odds such that there is a built-in theoretical margin in each bet offered to customers. Online sports betting revenue is generated based on total customer bets less amounts paid to customers for winning bets, less other incentives awarded to customers, plus or minus the change in unsettled bets, plus or minus the change in unclaimed tickets for settled retail bets.

Retail sports betting

The Company provides retail sports services to land-based partners in exchange for a monthly commission based on the land-based partner's retail sportsbook revenue. Services generally include ongoing management and oversight of the retail sportsbook, technical support for the land-based partner's customers, risk management, advertising and promotion, and support for the third-party vendor's sports betting equipment. The Company has a single performance obligation to provide retail sports services and records the revenue as services are performed and when the commission amounts are no longer constrained (i.e., the amount is known).

Certain relationships with business partners provide the Company the ability to operate the retail sportsbook. In this scenario, revenue is generated based on total customer bets less amounts paid to customers for winning bets, less other incentives awarded to customers, plus or minus the change in unsettled retail sports bets.

Social gaming

The Company provides a social gaming platform for users to enjoy free-to-play games that use virtual credits. While virtual credits are issued to users for free, some users may choose to purchase additional virtual credits through the Company's virtual cashier. The Company has a single performance obligation associated with social gaming services, to provide social gaming services to users upon the redemption of virtual credits. Deferred revenue is recorded when users purchase virtual credits and revenue is recognized when the virtual credits are redeemed and the Company's performance obligation has been fulfilled.

Disaggregation of revenue for the three and six months ended June 30, 2022 and 2021, is as follows:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Online casino and online sports betting	\$ 141,174	\$ 121,207	\$ 272,832	\$ 231,185
Retail sports betting	1,679	572	4,009	1,199
Social gaming	883	1,021	1,833	2,236
Total revenue	\$ 143,736	\$ 122,800	\$ 278,674	\$ 234,620

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Revenue by geographic region for the three and six months ended June 30, 2022 and 2021, is as follows:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
United States and Canada	\$ 130,546	\$ 111,756	\$ 253,080	\$ 217,059
Latin America, including Mexico	13,190	11,044	25,594	17,561
Total revenue	\$ 143,736	\$ 122,800	\$ 278,674	\$ 234,620

Deferred revenue associated with online casino and online sports betting revenue and retail sports betting revenue includes unsettled customer bets and unredeemed customer incentives, and is included within Players' liabilities in the condensed consolidated balance sheets. Deferred revenue associated with social gaming revenue includes unredeemed social gaming virtual credits and is included within Other current liabilities in the condensed consolidated balance sheets. The deferred revenue balances as of June 30, 2022 and December 31, 2021 were as follows:

(\$ in thousands)	
Deferred revenue balance at December 31, 2021	\$ 4,637
Deferred revenue balance at June 30, 2022	\$ 4,549
Revenue recognized in the period from amounts included in deferred revenue at December 31, 2021	\$ 4,637

4. Intangible Assets, Net

The Company has the following intangible assets, net as of June 30, 2022 and December 31, 2021:

(\$ in thousands)	Weighted Average Remaining Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Net
License Fees				
June 30, 2022	9.65	\$ 50,070	\$ (8,942)	\$ 41,128
December 31, 2021	8.61	\$ 49,226	\$ (5,582)	\$ 43,644
Internally Developed Software				
June 30, 2022	2.63	\$ 9,669	\$ (1,138)	\$ 8,531
December 31, 2021	2.96	\$ 4,091	\$ (286)	\$ 3,805
Developed Technology				
June 30, 2022	7.50	\$ 5,931	\$ (371)	\$ 5,560
December 31, 2021	8.00	\$ 5,931	\$ —	\$ 5,931
Trademark Asset				
June 30, 2022	4.96	\$ 5,088	\$ (84)	\$ 5,004
December 31, 2021	—	\$ —	\$ —	\$ —

Amortization expense was \$2.8 million and \$5.0 million for the three and six months ended June 30, 2022, respectively, compared to amortization expense of \$0.6 million and \$1.1 million for the same respective periods in 2021.

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5. Accrued Expenses

The Company has the following accrued expenses as of June 30, 2022 and December 31, 2021:

<i>(\$ in thousands)</i>	June 30, 2022	December 31, 2021
Accrued compensation and related expenses	\$ 5,517	\$ 6,038
Accrued operating expenses	21,477	15,955
Accrued marketing expenses	23,993	21,948
Accrued professional fees	1,657	1,753
Due to affiliates	640	1,005
Other	938	1,588
Total accrued expenses	\$ 54,222	\$ 48,287

6. Warrant Liabilities

As part of the initial public offering of dMY Technology Group, Inc. (“dMY”), dMY issued to third-party investors 23.0 million units, consisting of one share of dMY’s Class A common stock (“Class A Common Stock”) and one-half of one warrant, at a price of \$10.00 per unit. Each whole warrant entitled the holder to purchase one share of Class A Common Stock at an exercise price of \$11.50 per share (the “Public Warrants”). Simultaneously with the dMY initial public offering, 6,600,000 private placement warrants were sold to the Sponsor (the “Private Placement Warrants”) and an additional 75,000 warrants were issued to the Sponsor upon the Closing in connection with converting certain working capital loans into warrants (the “Working Capital Warrants” and together with the Private Placement Warrants, the “Private Warrants” and the Private Warrants together with the Public Warrants, the “Warrants”). Each Private Warrant allowed the Sponsor to purchase one share of Class A Common Stock at \$11.50 per share.

The Company classified the Warrants as derivative liabilities on its condensed consolidated balance sheet at fair value as of each reporting date, with subsequent changes in their respective fair values recognized in its condensed consolidated statement of operations and comprehensive loss.

Public Warrants

On February 22, 2021, the Company announced the redemption of all the Company’s Public Warrants, which were exercisable for an aggregate of approximately 11.5 million shares of Class A Common Stock at a price of \$11.50 per share. During March 2021, 11,442,389 Public Warrants were exercised at a price of \$11.50 per share, resulting in cash proceeds of approximately \$131.6 million (of which \$0.1 million was not received until April 2021) and the issuance of 11,442,389 shares of Class A Common Stock. None of the Public Warrants remained outstanding as of June 30, 2022 or December 31, 2021.

The Company determined the fair value of its Public Warrants based on the publicly listed trading price of such warrants as of the valuation date. Accordingly, the Public Warrants were classified as Level 1 financial instruments. The aggregate fair value of the Public Warrants on the dates of exercise throughout March 2021 was \$77.5 million.

Private Warrants

On March 26, 2021, the Private Warrants were exercised in full on a cashless basis, resulting in the issuance of 2,571,808 shares of Class A Common Stock. None of the Private Warrants remained outstanding as of June 30, 2022 or December 31, 2021.

The estimated fair value of the Private Warrants was determined with Level 3 inputs using the Black-Scholes model. The significant inputs and assumptions in this method are the stock price, exercise price, volatility, risk-free rate, and term or maturity. The underlying stock price input is the closing stock price as of each valuation date and the exercise price is the price as stated in the warrant agreement. The volatility input was determined using the historical volatility of comparable publicly traded companies that operate in a similar industry or compete directly against the Company. Volatility for each comparable publicly traded company is calculated as the annualized standard deviation of daily continuously compounded returns. The Black-Scholes analysis is performed in a risk-neutral framework, which requires a

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risk-free rate assumption based upon constant-maturity treasury yields, which are interpolated based on the remaining term of the Private Warrants as of each valuation date. The term/maturity is the duration between each valuation date and the maturity date, which is five years following the Closing, or December 29, 2025.

The Private Warrants were valued as of March 26, 2021 (i.e., the exercise date). The following table provides quantitative information regarding Level 3 fair value measurement inputs at their measurement dates:

	March 26, 2021
Exercise price	\$ 11.50
Stock price	\$ 15.96
Volatility	42.6%
Term (years)	4.77
Risk-free interest rate	0.76%

The fair value of the Private Warrants was \$50.8 million as of March 26, 2021.

The Company recorded \$41.8 million to Change in fair value of warrant liabilities on the condensed consolidated statement of operations and comprehensive loss, representing the change in fair value of the Public Warrants and Private Warrants from December 31, 2020 through the respective dates of exercise.

The following table summarizes the fair values of Warrant liabilities and change in fair value at each measurement date:

	Public Warrants (Level 1)	Private Warrants (Level 3)	Total
Fair value of warrants at December 31, 2020	\$ 88,079	\$ 82,030	\$ 170,109
Change in fair value of warrant liabilities	(10,570)	(31,232)	(41,802)
Fair value of warrants at redemption ⁽¹⁾	(77,509)	(50,798)	(128,307)
Fair value of warrants at June 30, 2021	\$ —	\$ —	\$ —

⁽¹⁾ This amount represents the change in fair value of warrant liabilities, excluding the effect of \$4.0 million of transactions costs incurred in connection with the issuance of the Warrants.

7. Earnout Interests Liability

The earnout interests were subject to certain restrictions on transfer and voting and potential forfeiture pending the achievement of certain earnout targets. The earnout targets included (a) a change of control within three years of the Closing, (b) achieving certain revenue targets for the 2021 fiscal year, and (c) achieving certain volume weighted average share prices (“VWAPs”) within three years of the Closing.

Earnout interests represented a freestanding financial instrument initially classified as liabilities on the accompanying condensed consolidated balance sheet as the Company determined that these financial instruments were not indexed to the Company’s own equity in accordance with ASC 815, *Derivatives and Hedging*. Earnout interests were initially recorded at fair value and were adjusted to fair value at each reporting date with changes in fair value recorded in Change in fair value of earnout interests liability in the consolidated statement of operations and comprehensive loss.

On January 13, 2021, the earnout interests were fully earned and no longer subject to the applicable restrictions on transfer and voting because the VWAP exceeded \$14.00 per share for 10 trading days within a 20 consecutive trading day period following the Closing. As a result, the earnout interests liability was reclassified to equity resulting in 1,212,813 shares of Class A Common Stock held by Darla Anderson, Francesca Luthi, Charles E. Wert and Sponsor and 15,000,000 shares of Class V Common Stock and RSILP Units issued to the Sellers (i.e., non-controlling interests) that were no longer subject to the applicable restrictions.

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The Company recorded \$13.7 million to Change in fair value of earnout interests liability on the condensed consolidated statements of operations, representing the change in fair value of the earnout interests from December 31, 2020 through January 13, 2021 when the earnout interests were no longer subject to the restrictions.

Earnout Interests Liability

	Total
December 31, 2020	\$ 351,048
Change in fair value of earnout interests liability	13,740
Settlement of earnout interests liability	(364,788)
June 30, 2021	\$ —

8. Equity

Non-Controlling Interest

The non-controlling interest represents the RSILP Units held by holders other than the Company.

The non-controlling interests owned 70.94% and 72.20% of the RSILP Units outstanding as of June 30, 2022 and December 31, 2021, respectively. The table below illustrates a rollforward of the non-controlling interest percentages during the six months ended June 30, 2022:

	Non-Controlling Interest %
Non-controlling interest % as of December 31, 2021:	72.20 %
Issuance of Class A Common Stock upon RSILP Unit Exchanges	(1.28) %
Issuance of Class A Common Stock to acquire trademark intangible asset	(0.02) %
Issuance of Class V Common Stock to acquire trademark intangible assets	0.06 %
Issuance of Class A Common Stock in connection with the vesting of certain share-based equity grants	(0.02) %
Non-controlling interest % as of June 30, 2022:	70.94 %

The non-controlling interests owned 73.00% and 76.89% (which excluded the earnout interests that did not vest until January 2021) of the RSILP Units outstanding, as of June 30, 2021 and December 31, 2020, respectively. The table below illustrates a rollforward of the non-controlling interest percentages during the six months ended June 30, 2021:

	Non-Controlling Interest %
Non-controlling interest % as of December 31, 2020:	76.89 %
Issuance of RSILP units in connection with the vesting of earnout interest in January 2021	1.24 %
Issuance of Class A Common Stock in connection with the exercise of the Warrants	(4.98) %
Repurchases of Class A Common Stock	0.08 %
Issuance of Class A Common Stock in connection with the vesting of certain share-based equity grants	(0.23) %
Non-controlling interest % as of June 30, 2021:	73.00 %

Treasury Stock

During the six months ended June 30, 2021, the Company repurchased 218,589 shares of its Class A Common Stock at an average price of \$15.85 and a total cost of \$3.5 million. The repurchased shares were considered issued but not outstanding. The Company subsequently reissued the repurchased shares in connection with the issuance of shares under the 2020 Plan (as defined below) during the year ended December 31, 2021. No treasury shares remain outstanding as of June 30, 2022 or December 31, 2021.

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9. Share-Based Compensation

The Company adopted the Rush Street Interactive, Inc. 2020 Omnibus Equity Incentive Plan, as amended from time to time (the “2020 Plan”), to attract, retain and incentivize employees, consultants and independent directors who will contribute to the success of the Company. Awards that may be granted under the 2020 Plan include incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards, performance share awards, cash awards and other equity-based awards. Upon adoption of the 2020 Plan, there was an aggregate of 13.4 million shares of Class A Common Stock reserved under the 2020 Plan, which may consist of authorized and unissued shares, treasury shares or shares reacquired by the Company. The 2020 Plan will terminate on December 29, 2030.

The Company granted 247,500 and 3,992,352 restricted stock units (“RSUs”) during the six months ended June 30, 2022 and 2021, respectively. The Company’s outstanding awards are based on service conditions and other awards that are based on market conditions. The grant date fair value of the awards with service conditions is determined based on the quoted market price, while the grant date fair value of the awards with market-based conditions is estimated using a Monte Carlo simulation.

The Company granted nil and 130,565 stock options during the six months ended June 30, 2022 and 2021. Previously granted stock options that remain outstanding as of June 30, 2022 were valued using a Black-Scholes valuation model.

RSU and stock option activity for the six months ended June 30, 2022 and 2021 was as follows:

	RSUs		Options	
	Number of units	Weighted-average grant price	Number of options	Weighted-average grant price
Unvested balance at December 31, 2021	3,076,158	\$ 16.08	96,827	\$ 7.41
Granted	247,500	5.39	—	—
Vested	(132,899)	10.16	(32,278)	7.41
Forfeited	(42,655)	14.91	—	—
Unvested balance at June 30, 2022	3,148,104	\$ 15.50	64,549	\$ 7.41

	RSUs		Options	
	Number of units	Weighted average grant price	Number of options	Weighted-average grant price
Unvested balance at December 31, 2020	—	\$ —	—	\$ —
Granted	3,992,352	16.00	130,565	7.41
Vested	(737,604)	15.84	—	—
Forfeited	(8,000)	15.85	—	—
Unvested balance at June 30, 2021	3,246,748	\$ 15.85	130,565	\$ 7.41

The aggregate fair value of the RSUs granted during the three months ended June 30, 2022 and 2021, was approximately \$1.2 million and \$6.1 million, respectively. The aggregate fair value of the RSUs granted during the six months ended June 30, 2022 and 2021, was approximately \$1.3 million and \$63.9 million, respectively.

As of June 30, 2022, the Company had unrecognized stock-based compensation expense related to RSUs and stock options of approximately \$40.5 million and \$0.4 million, respectively, which is expected to be recognized over the remaining weighted-average vesting period of 1.4 years. The Company’s stock options outstanding as of June 30, 2022 have intrinsic values of nil and none of the vested stock options were exercised as of June 30, 2022.

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Share-based compensation expense for the six months ended June 30, 2022 and 2021 is as follows:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Costs of revenue	\$ 246	\$ 298	\$ 490	\$ 1,213
Advertising and promotions	511	636	1,016	2,334
General administration and other	3,123	3,727	6,311	12,690
Total share-based compensation expense	\$ 3,880	\$ 4,661	\$ 7,817	\$ 16,237

10. Income Taxes

The income tax provision for the six months ended June 30, 2022 and 2021 is as follows:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Income tax provision	\$ 2,335	\$ 1,752	\$ 4,337	\$ 2,556

The Company recognized federal, state and foreign income tax expense of \$2.3 million and \$4.3 million during the three and six months ended June 30, 2022, respectively, compared to \$1.8 million and \$2.6 million during the same periods in 2021. The effective tax rates for the three and six months ended June 30, 2022 were (8.98)%, and (5.69)%, respectively, and were (14.36)% and (22.28)% during the same periods in 2021. The difference between the Company's effective tax rate and the U.S. statutory tax rate of 21% was primarily due to a full valuation allowance recorded on the Company's net U.S. deferred tax assets, valuation allowances recorded on deferred tax assets in foreign jurisdictions where the Company recently began operating, non-taxable income / (loss) attributable to non-controlling interest and income tax rate differences related to the Company's Colombia operations for which both current and deferred taxes were recorded. The Company evaluates the realizability of the deferred tax assets on a quarterly basis and establishes a valuation allowance when it is more likely than not that all or a portion of a deferred tax asset may not be realized.

In connection with the Business Combination, the Special Limited Partner entered into the Tax Receivable Agreement, which generally provides for the payment by it of 85% of certain net tax benefits, if any, that the Company (including the Special Limited Partner) realizes (or in certain cases is deemed to realize) as a result of an increase in tax basis and tax benefits related to the transactions contemplated under the Business Combination Agreement and the exchange of Retained RSILP Units (as defined in the Business Combination Agreement) for Class A Common Stock (or cash at the Company's option) pursuant to RSILP's amended and restated limited partnership agreement and tax benefits related to entering into the Tax Receivable Agreement, including tax benefits attributable to payments under the Tax Receivable Agreement. These payments are the obligation of the Special Limited Partner and not of RSILP. The actual increase in the Special Limited Partner's allocable share of RSILP's tax basis in its assets, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges, the market price of our Class A Common Stock at the time of the exchange and the amount and timing of the recognition of RSI and its consolidated subsidiaries' (including the Special Limited Partner's) income.

Based primarily on historical losses of RSILP, management has determined it is more-likely-than-not that the Company will be unable to utilize its deferred tax assets subject to the Tax Receivable Agreement; therefore, management applies a full valuation allowance to deferred tax asset or a corresponding liability under the Tax Receivable Agreement related to the tax savings the Company may realize from the utilization of tax deductions related to basis adjustments created by the transactions in the Business Combination Agreement. The unrecognized Tax Receivable Agreement liability as of June 30, 2022 and December 31, 2021 was \$52.6 million and \$46.2 million, respectively. The increase in the liability is primarily due to the issuance of Class A Common Stock upon RSILP Unit exchanges. Due to the fact that the Company's deferred tax assets and corresponding Tax Receivable Agreement liability are unrecognized, this increase had no impact on the condensed consolidated statements of operations and condensed consolidated statements of comprehensive loss.

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11. Loss Per Share

The basic and diluted loss per share for the three and six months ended June 30, 2022 and 2021 are as follows (amounts in thousands, except for share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net loss	\$ (28,346)	\$ (13,954)	\$ (80,616)	\$ (14,030)
Less: Net loss attributable to non-controlling interests	(20,014)	(10,187)	(57,587)	(10,246)
Net loss attributable to Rush Street Interactive, Inc. – basic	\$ (8,332)	\$ (3,767)	\$ (23,029)	\$ (3,784)
Effect of dilutive securities:				
Warrants, net of amounts attributable to non-controlling interests	—	—	—	(9,569)
Net loss attributable to Rush Street Interactive, Inc. – diluted	\$ (8,332)	\$ (3,767)	\$ (23,029)	\$ (13,353)
Denominator:				
Weighted average common shares outstanding – basic	63,976,146	59,163,547	62,889,746	53,093,129
Weighted average effect of dilutive securities:				
Public Warrants ⁽¹⁾	—	—	—	1,376,624
Private Placement and Working Capital Warrants ⁽¹⁾	—	—	—	982,276
Weighted average common shares outstanding – diluted	63,976,146	59,163,547	62,889,746	55,452,029
Net loss per Class A common share – basic	\$ (0.13)	\$ (0.06)	\$ (0.37)	\$ (0.07)
Net loss per Class A common share – diluted	\$ (0.13)	\$ (0.06)	\$ (0.37)	\$ (0.24)

(1) Calculated using the treasury stock method.

The Class V Common Stock does not participate in the Company's earnings or losses and is therefore not a participating security. As such, separate presentation of basic and diluted earnings per share of Class V Common Stock under the two-class method has not been presented.

The Company excluded the following securities from its computation of diluted shares outstanding, as their effect would have been anti-dilutive:

	Six Months Ended June 30,	
	2022	2021
RSILP Units ⁽¹⁾	156,373,584	160,000,000
Unvested Restricted Stock Units	3,148,104	3,246,748
Unvested Stock Options	64,549	130,565

(1) RSILP Units that are held by non-controlling interest holders, and may be exchanged, subject to certain restrictions, for Class A Common Stock. Upon exchange of an RSILP Unit, a share of Class V Common Stock is cancelled.

12. Related Parties

Services Agreement

At the Closing, Rush Street Gaming, LLC ("RSG"), a current affiliate of the Company controlled by Neil Bluhm, Executive Chairman, entered into a Services Agreement (the "Services Agreement"), pursuant to which, among other things, RSG or certain of its affiliates provide certain specified services to the Company for a period of two years following the Closing, subject to extension and early termination, including, without limitation, certain services such as government

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affairs, certain business development, insurance and other services (in each case as more fully described in the Services Agreement). RSG and its affiliates had provided similar services to RSILP prior to the Business Combination and the Services Agreement represents a continuation of those services and support. As compensation for the provision of these services, the Company reimburses RSG and its affiliates for (i) all third-party costs, including fees and costs incurred in connection with any required consents, incurred in connection with the provision of services, (ii) its reasonable and documented out-of-pocket travel and related expenses as approved by the Company, and (iii) an allocable portion of payroll, benefits and overhead (calculated at 150% of an employee's salary, bonus and benefits cost) with respect to RSG's or its affiliates' employees who perform or otherwise assist in providing the services. Expenses relating to support services were \$0.1 million and \$0.3 million for the three and six months ended June 30, 2022, compared to \$0.2 million and \$0.5 million for the same periods in 2021, respectively. Payables due to RSG for support services were \$0.3 million and \$0.1 million at June 30, 2022 and December 31, 2021, respectively. These support services are recorded as General administration and other in the accompanying condensed consolidated statements of operations and any payables to RSG are recorded as Accrued expenses within the accompanying condensed consolidated balance sheets.

Affiliated Land-Based Casinos

Neil Bluhm and his adult children (including Ms. Leslie Bluhm), through their individual capacities, entities or trusts that they have created for the benefit of themselves or their family members, and Greg Carlin, through his individual capacity, entities or trusts that he has created for the benefit of himself or his family members, are direct or indirect owners, directors and/or officers of certain land-based casinos. The Company has entered into certain agreements with these affiliated land-based casinos that create strategic partnerships aimed to capture the online gaming, online sports betting and retail sports services markets in the various states and municipalities where the land-based casinos operate.

Generally, the Company pays a royalty fee to the land-based casino (calculated as a percentage of the Company's revenue less reimbursable costs as defined in the applicable agreement) in exchange for the right to operate real-money online casino and/or online sports betting and social gaming under the gaming license of the land-based casinos. Royalties related to arrangements with affiliated casinos were \$13.9 million and \$23.4 million for the three and six months ended June 30, 2022 compared to \$14.5 million and \$27.3 million for the same periods in 2021, respectively, which were net of any consideration received from the affiliated casino for reimbursable costs, as well as costs that are paid directly by the affiliate casino on the Company's behalf. Net royalties paid are recorded as Costs of revenue in the accompanying condensed consolidated statements of operations. In certain cases, the affiliate casino maintains the bank account that processes cash deposits and withdrawals for RSI customers. Accordingly, at any point in time, the Company will record a receivable from the affiliate, representing RSI total gaming revenue (with RSI customers) that was collected by the affiliate, less consideration payable to the affiliate for use of its license, which is offset by any consideration received from the affiliate based on the terms of the applicable agreement. Receivables due from affiliated land-based casinos were \$25.5 million and \$28.2 million at June 30, 2022 and December 31, 2021, respectively.

In addition, the Company provides retail sports services to certain affiliated land-based casinos in exchange for a monthly commission based on the land-based casino's retail sportsbook revenue. Services generally include ongoing management and oversight of the retail sportsbook, technical support for the land-based casino's customers, risk management, advertising and promotion, and support for the third-party vendor's sports betting equipment. Revenue recognized relating to retail sports services provided to affiliated land-based casinos for the three and six months ended June 30, 2022 and 2021 were not material to the condensed consolidated financial statements. Any payables due to the affiliated land-based casinos are netted against affiliate receivables to the extent a right of offset exists and were not material to the condensed consolidated financial statements as of June 30, 2022 or December 31, 2021.

Purchase of RSP

During the six months ended June 30, 2022, the Company purchased all of the equity interests of RSP, a poker-related production company that owns certain poker-related assets, including Poker Night in America, a television program focused on poker games and tournaments. On June 10, 2022, Messrs. Neil Bluhm and Greg Carlin forfeited their limited liability company interests in RSP, resulting in Mr. Todd Anderson being the sole owner of RSP. The Company then purchased from Mr. Anderson 100% of the limited liability company interests in RSP for an aggregate purchase price of approximately \$4.7 million, comprised of cash, Class V Common Stock, RSILP Units, Class A Common Stock and assumed liabilities (the "RSP Acquisition"). The Company obtained an independent valuation report as to the fair market value of RSP to support the purchase price being paid for the RSP Acquisition. As part of the RSP Acquisition, the Company employed Mr. Anderson and two other RSP employees. Mr. Anderson received all of the proceeds from the RSP

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Acquisition; Messrs. Bluhm and Carlin did not receive any proceeds from the RSP Acquisition. The Audit Committee of the Company's Board of Directors (the "Board") approved the RSP Acquisition in accordance with the Company's Related-Party Transactions Policy, and the Board (with Mr. Bluhm and certain other directors abstaining) approved the same. See Note 2 for additional information.

13. Commitments and Contingencies

Legal Matters

The Company is not a party to any material legal proceedings and is not aware of any pending or threatened claims except as noted below. From time to time however, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of its business activities.

A complaint in a case *Todd L. Anderson. vs. Rush Street Gaming, LLC and Rush Street Interactive, LLC*, Case Number # 120CV04794 that was filed in the United States District Court for the Northern District of Illinois was served on the Company on August 18, 2020 and was subsequently amended and served on the Company on September 15, 2020. The amended complaint alleges that Todd Anderson was offered a 1% equity stake in RSILP in 2012 that was never issued and asserts breach of contract, promissory estoppel, constructive fraud, conversion, breach of fiduciary duty, and unjust enrichment. On October 13, 2020, RSILP filed a motion to dismiss all the alleged claims asserted in the complaint. On September 28, 2021, the court entered an order granting in part and denying in part RSILP's motion to dismiss, dismissing Mr. Anderson's constructive fraud, breach of fiduciary duty and unjust enrichment claims, but allowing his remaining claims to proceed. On October 19, 2021, RSILP filed an answer to the amended complaint, and as of June 10, 2022, the parties entered into a Settlement Agreement (the "Settlement Agreement"), pursuant to which the case and all remaining claims were dismissed with prejudice on June 13, 2022 pursuant to a joint stipulation of the parties and which facilitated the RSP Acquisition. The Audit Committee of the Board approved the Settlement Agreement in accordance with the Company's Related-Party Transactions Policy, and the Board (with Mr. Neil Bluhm and certain other directors abstaining) approved the same. For additional information about the Settlement Agreement, see Note 12.

Other Contractual Obligations

The Company is a party to several non-cancelable contracts with vendors and licensors for marketing and other strategic partnership-related agreements where the Company is obligated to make future minimum payments under the non-cancelable terms of these contracts as follows (\$ in thousands):

Remainder of 2022	\$	15,630
Year ending December 31, 2023		16,399
Year ending December 31, 2024		6,738
Year ending December 31, 2025		8,832
Year ending December 31, 2026		3,924
Thereafter		25,074
Total⁽¹⁾	\$	76,597

- (1) Includes operating lease and finance lease obligations under non-cancelable lease contracts totaling \$2.0 million, obligations under non-cancelable contracts with marketing vendors totaling \$24.0 million, and license and market access commitments totaling \$50.6 million. Certain market access arrangements require the Company to make additional payments at a contractual milestone date if the market access fees paid through that milestone date do not meet a minimum contractual threshold. In these instances, the Company calculates the future minimum payment as the total milestone payment less any amounts already paid to the partner and includes such payments in the period in which the milestone date occurs.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, our Annual Report on Form 10-K for the year ended December 31, 2021 (our “Annual Report”), and our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q (this “Report”). In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under the sections of this Report captioned “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors.” For a discussion of limitations in measuring certain of our key metrics, see the section of this Report captioned “Limitations of Key Metrics and Other Data.”

This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains certain financial measures, in particular the presentation of Adjusted EBITDA, which are not presented in accordance with generally accepted accounting principles of the United States (“GAAP”). We present these non-GAAP financial measures because they provide us and readers of this Report with additional insight into our operational performance relative to earlier periods and relative to our competitors. These non-GAAP financial measures are not a substitute for any GAAP financial information. Readers of this Report should use these non-GAAP financial measures only in conjunction with the comparable GAAP financial measures. Reconciliations of Adjusted EBITDA to Net Loss, the most comparable GAAP measure, are provided in this Report.

Unless the context requires otherwise, all references in this Report to the “Company,” “we,” “us,” or “our” refer to Rush Street Interactive, Inc. and its subsidiaries.

Our Business

We are a leading online gaming and entertainment company that focuses primarily on online casino and online sports betting in the U.S., Canadian and Latin American markets. Our mission is to engage and delight players by delivering friendly, fun and fair betting experiences. In furtherance of this mission, we strive to create an online community for our customers where we are transparent and honest, treat our customers fairly, show them that we value their time and loyalty, and listen to feedback. We also endeavor to implement industry leading responsible gaming practices and provide our customers with a cutting-edge online gaming platform and exciting, personalized offerings that will enhance their user experience.

We provide our customers with an array of leading gaming offerings such as real-money online casino, online sports betting and retail sports betting (i.e., sports betting services provided at bricks-and-mortar locations), as well as social gaming, which involves free-to-play games that use virtual credits that users can earn or purchase. We launched our first social gaming website in 2015 and began accepting real-money bets in the United States in 2016. Currently, we offer real-money online casino, online sports betting and/or retail sports betting in fourteen U.S. states as outlined in the table below.

Jurisdictions	Online Casino	Online Sports Betting	Retail Sports Betting
Domestic:			
Arizona		✓	
Colorado		✓	
Connecticut		✓	✓
Illinois		✓	✓
Indiana		✓	✓
Iowa		✓	
Louisiana		✓	
Maryland			✓
Michigan	✓	✓	✓
New Jersey	✓	✓	
New York		✓	✓
Pennsylvania	✓	✓	✓
Virginia		✓	
West Virginia	✓	✓	
International:			
Colombia	✓	✓	
Ontario (Canada)	✓	✓	
Mexico	✓	✓	

Our real-money online casino and online sports betting offerings are currently provided under our BetRivers and PlaySugarHouse brands in the US and Canada and under our RushBet brand in Latin America (which includes Mexico). We operate and/or support retail sports betting for our bricks-and-mortar partners primarily under their respective brands. Many of our social gaming offerings are marketed under our partners' brands, although we also offer social gaming under our own brands as well. Our decision about what brand or brands to use is market- and partner-specific, and is based on brand awareness, market research, marketing efficiency and applicable gaming rules and regulations.

Impact of COVID-19

The COVID-19 pandemic has adversely impacted global commercial activity, disrupted supply chains and contributed to significant volatility in financial markets. The ongoing COVID-19 pandemic could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown such as a recession. The COVID-19 pandemic therefore presents material uncertainty and risk with respect to us and our performance and could affect our financial results in a materially adverse way.

The COVID-19 pandemic has significantly impacted our business. Beyond disruptions in our normal business operations, the COVID-19 pandemic has had a continued impact on consumer habits and preferences, with many consumers opting to avoid crowded public places such as land-based casinos. COVID-19 has also impacted sports betting due to the rescheduling, reconfiguring, suspension, postponement and cancellation of sports seasons and sporting events or exclusion of certain players or teams from sporting events, which has tended to reduce customers' use of, and spending on, our sports betting offerings.

Most major professional sports leagues have largely resumed their activities in accordance with their planned schedules. The continued return of major sports and sporting events has generated significant interest and user activity in our sports betting product offerings. However, the possibility remains that sports seasons and sporting events may be rescheduled, reconfigured, suspended, postponed and/or cancelled due to COVID-19 outbreaks.

Our revenue varies based on sports seasons and sporting events, among other factors, and cancellations, suspensions or alterations resulting from COVID-19 may adversely affect our revenue, possibly materially. However, our online casino offerings do not rely on sports seasons and sporting events, thus, they may partially offset this adverse impact on revenue.

The future effects of COVID-19 and the related impacts on consumer behavior is currently unknown. A significant or prolonged decrease in consumer spending on entertainment or leisure activities would likely have an adverse effect on demand for our offerings, reducing cash flows and revenues, thus materially harming our business, financial condition and results of operations. In addition, a significant uptick in COVID-19 cases or an emergence of additional variants or strains could cause other widespread or more severe impacts depending on where infection rates are highest. As steps taken to mitigate the spread of COVID-19 have necessitated a shift away from a traditional office environment for many employees, we implemented business continuity programs to help ensure that our personnel were safe and our business continued to function with minimal disruptions to normal work operations while personnel worked remotely. We will continue to monitor developments relating to disruptions and uncertainties caused by COVID-19.

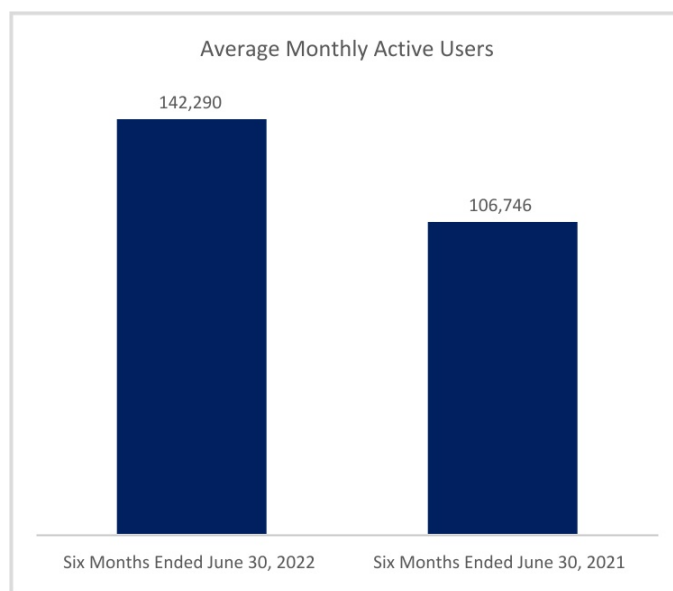
Trends in Key Metrics

Monthly Active Users

MAUs is the number of unique users per month who have placed at least one real-money bet across one or more of our online casino or online sports betting offerings. For periods longer than one month, we average the MAUs for the months in the relevant period. We exclude users who have made a deposit but have not yet placed a real-money bet on at least one of our online offerings. We also exclude users who have placed a real-money bet but only with promotional incentives. The numbers of unique users included in calculating MAUs only include U.S. and Canada-based users of our online real-money offerings.

MAUs is a key indicator of the scale of our user base and awareness of our brands. We believe that year-over-year MAUs is also generally indicative of the long-term revenue growth potential of our business, although MAUs in individual periods may be less indicative of our longer-term expectations. We expect the number of MAUs to grow as we attract, retain and re-engage users in new and existing jurisdictions and expand our offerings to appeal to a wider audience.

The chart below presents our average MAUs for the six months ended June 30, 2022 and 2021:

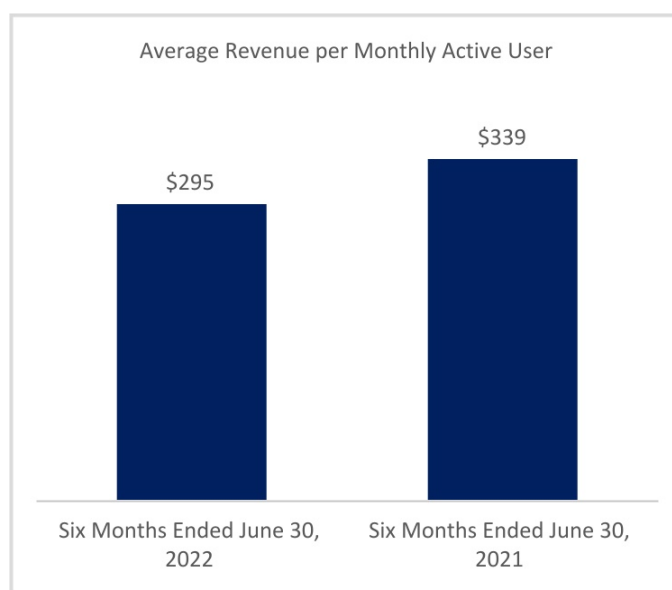


The increase in MAUs was mainly due to our continued growth in existing markets such as Pennsylvania, Colorado, Indiana, Iowa, Michigan, Virginia and West Virginia, as well as our expansion into new markets such as Arizona, Connecticut, New York, Louisiana, and Ontario, which had not launched until after June 30, 2021. Additionally, we continue to achieve a positive response from our strategic advertising and marketing efforts.

Average Revenue Per Monthly Active User

ARPMU for an applicable period is average revenue divided by average MAUs. This key metric represents our ability to drive usage and monetization of our online offerings.

The chart below presents our ARPMAU for the six months ended June 30, 2022 and 2021:



The year-over-year decrease in ARPMAU was mainly due to an increase in the number of markets where we offer only sports betting (we launched in four new sports betting-only markets during that period - Arizona, Connecticut, Louisiana and New York), which, when combined with our increased promotional and advertising activities in those markets, resulted in an increase in the number of customers in sports betting-only markets. Sports betting-only customers generally generate less revenue per customer than online casino-only customers.

Non-GAAP Information

This Report includes Adjusted EBITDA, which is a non-GAAP performance measure that we use to supplement our results presented in accordance with GAAP. We believe Adjusted EBITDA provides useful information to investors regarding our results of operations and operating performance, as it is similar to measures reported by our public competitors and is regularly used by securities analysts, institutional investors and other interested parties in analyzing operating performance and prospects. Non-GAAP financial measures are not intended to be considered in isolation or as a substitute for any GAAP financial measures and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry.

We define Adjusted EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization, share-based compensation, adjustments for certain one-time or non-recurring items and other adjustments. Adjusted EBITDA excludes certain expenses that are required in accordance with GAAP because certain expenses are either non-cash (i.e., depreciation and amortization, and share-based compensation) or are not related to our underlying business performance (i.e., interest income or expense).

We include Adjusted EBITDA because management uses it to evaluate our core operating performance and trends and to make strategic decisions regarding the distribution of capital and new investments. Management believes that Adjusted EBITDA provides investors with useful information on our past financial and operating performance, enables comparison of financial results from period-to-period where certain items may vary independent of business performance, and allows for greater transparency with respect to metrics used by our management in operating our business. Management also believes that Adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry, as this metric generally eliminates the effects of certain items that may vary from company to company for reasons unrelated to overall operating performance.

The table below presents our Adjusted EBITDA reconciled from our Net loss, the most directly comparable GAAP measure, for the periods indicated:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	\$ (28,346)	\$ (13,954)	\$ (80,616)	\$ (14,030)
Interest expense, net	223	17	445	30
Income tax expense	2,335	1,752	4,337	2,556
Depreciation and amortization	3,290	914	6,027	1,588
Change in fair value of warrant liabilities	—	—	—	(41,802)
Change in fair value of earnout interests liability	—	—	—	13,740
Share-based compensation expense	3,880	4,661	7,817	16,237
Adjusted EBITDA	\$ (18,618)	\$ (6,610)	\$ (61,990)	\$ (21,681)

Key Components of Revenue and Expenses

Revenue

We offer real-money online casino, online sports betting and/or retail sports betting in fourteen U.S. states, Colombia, and since the second quarter of 2022, Ontario, Canada and Mexico. We also provide social gaming where users are given virtual credits to enjoy free-to-play games.

Our revenue is predominantly generated from our U.S. operations, with the remaining revenue being generated from our Canada and Latin America operations. We generate revenue primarily through the following offerings:

Online Casino

Online casino offerings typically include the full suite of games available in bricks-and-mortar casinos, such as table games (i.e., blackjack and roulette) and slot machines. For these offerings, we function similarly to bricks-and-mortar casinos, generating revenue through hold, or gross winnings, as customers play against the house. Like bricks-and-mortar casinos, there is volatility with online casino, but as the number of bets placed increases, the revenue retained from bets placed becomes easier to predict. Our experience has been that online casino revenue is less volatile than sports betting revenue.

Our online casino offering consists of a combination of licensed content from leading suppliers in the industry, customized third-party games and a small number of proprietary games that we developed in-house. Third-party content is usually subject to standard revenue-sharing agreements specific to each supplier, where the supplier generally receives a percentage of the net gaming revenue generated from its casino games played on our platform. In exchange, we receive a limited license to offer the games on our platform to customers in jurisdictions where use is approved by the regulatory authorities. We generally pay much lower fees on revenue generated through our in-house developed casino games such as our multi-bet blackjack (with side bets: 21+3, Lucky Ladies, Lucky Lucky) and single-deck blackjack, which primarily relate to hosting/remote gaming server fees and certain intellectual property license fees.

Online casino revenue is generated based on total customer bets less amounts paid to customers for winning bets, less incentives awarded to customers, plus or minus the change in the progressive jackpot reserve.

Online Sports Betting

Online sports betting involves a user placing a bet on the outcome of a sporting event, a series of sporting events, a sports-related activity or a series of sports-related activities, with the chance to win a pre-determined amount, often referred to as fixed odds. Online sports betting revenue is generated by setting odds such that there is a built-in theoretical margin in each sports bet offered to customers. While sporting event outcomes may result in revenue volatility, we believe that we can achieve a long-term betting win margin.

Integrated into our online sports betting platform is a third-party risk and trading platform currently provided by certain subsidiaries of Kambi Group plc. In addition to traditional fixed-odds betting, we also offer other sports betting

products including in-game betting and multi-sport and same-game parlay betting. We have also incorporated live streaming of certain sporting events into our online sports betting offering.

Online sports revenue is generated based on total customer bets less amounts paid to customers for winning bets, less incentives awarded to customers, plus or minus the change in unsettled sports bets.

Retail Sports Betting

We provide retail sports betting services to certain land-based partners in exchange for a monthly commission that is calculated based on the land-based retail sportsbook revenue. Services generally include ongoing management and oversight of the retail sportsbook (i.e., within a bricks-and-mortar location), technical support for such partner's customers, risk management, advertising and promotion, and support for third-party sports betting equipment.

In addition, certain relationships with business partners provide us the ability to operate the retail sportsbook at the land-based partner's facility. In this scenario, revenue is generated based on total customer bets less amounts paid to customers for winning bets, less other incentives awarded to customers, plus or minus the change in unsettled retail sports bets.

Social Gaming

We provide social gaming (where permitted) where users are given virtual credits to enjoy free-to-play games. Users who exhaust their credits can either purchase additional virtual credits from the virtual cashier or wait until their virtual credits are replenished for free. Virtual credits have no monetary value and can only be used within our social gaming platform.

Our social gaming business has three main goals: building online databases in key markets ahead of and post-legalization and regulation; generating revenues; and increasing engagement and visitation to our bricks-and-mortar partner properties. Our social gaming products are a marketing tool that keeps the applicable brands present in the minds of our users and engages with users through another channel while providing the entertainment value that users seek. We also leverage our social gaming products to cross-sell to our real-money offerings in jurisdictions where real-money gaming is authorized.

We recognize deferred revenue when users purchase virtual credits and revenue when the virtual credits are redeemed. We pay a percentage of the social gaming revenue derived from the sale and redemption of the virtual credits to content suppliers as well as to our land-based partners.

Costs and Expenses

Costs of Revenue. Costs of revenue consist primarily of (i) revenue share and market access fees, (ii) platform and content fees, (iii) gaming taxes, (iv) payment processing fees and chargebacks and (v) salaries, bonuses, benefits and share-based compensation for dedicated personnel. These costs are primarily variable in nature and should typically correlate with the change in revenue. Revenue share and market access fees consist primarily of amounts paid to local partners that hold the applicable gaming license, providing us the ability to offer our real-money online offerings in the respective jurisdictions. Our platform and content fees are primarily driven by costs associated with third-party casino content, sports betting trading services and certain elements of our platform technology, such as geolocation and know-your-customer. Gaming taxes primarily relate to state taxes and are determined on a jurisdiction-by-jurisdiction basis. We incur payment processing costs on customer deposits and occasionally chargebacks (i.e., when a payment processor contractually disallows customer deposits in the normal course of business).

Advertising and Promotions Costs. Advertising and promotion costs consist primarily of costs associated with marketing our offerings via different channels, promotional activities and related customer acquisition costs. These costs also include salaries, bonuses, benefits and share-based compensation for dedicated personnel and are expensed as incurred.

Our ability to effectively market is critical to operational success. Using experience, dynamic learnings and analytics, we leverage marketing to acquire, convert, retain and re-engage customers. We use a variety of earned media and paid marketing channels, in combination with compelling offers and unique game and site features, to attract and engage customers. Furthermore, we continuously optimize our marketing spend using data collected from our operations. Our marketing spend is based on a return-on-investment model that considers a variety of factors, including the product offerings in the jurisdiction, the performance of different marketing channels, predicted lifetime value, marginal costs and expenses and behavior of customers across various product offerings.

With respect to paid marketing, we use a broad array of advertising channels, including television, radio, social media platforms, sponsorships, affiliates and paid search, and other digital channels. We also use other forms of marketing and outreach, such as our social media channels, first-party websites, media interviews and other media spots and organic searches. These efforts are primarily concentrated within the specific jurisdictions where we operate or intend to operate. We believe there is significant benefit to having a flexible approach to advertising spending as we can quickly redirect our advertising spending based on dynamic testing of our advertising methods and channels.

General Administration and Other. General administration and other expenses consist primarily of administrative personnel costs, including salaries, bonuses and benefits, share-based compensation expense for dedicated personnel, professional fees related to legal, compliance, audit and consulting services, rent and insurance costs.

Depreciation and Amortization. Depreciation and amortization expense consists of depreciation on our property and equipment and amortization of intangible assets (including market access licenses, gaming jurisdictional licenses, internally developed software, trademark, and developed technology) and finance lease right-of-use assets over their useful lives.

Results of Operations

The following tables set forth a summary of our consolidated results of operations for the interim periods indicated and the changes between periods. We have derived these data from our unaudited condensed consolidated financial statements included elsewhere in this Report. The results of historical periods are not necessarily indicative of the results of operations for any future period.

Comparison of the Three Months Ended June 30, 2022 and 2021

(\$ in thousands)	Three Months Ended June 30,		Change	
	2022	2021	\$	%
Revenue	\$ 143,736	\$ 122,800	\$ 20,936	17 %
Costs of revenue	104,882	84,760	20,122	24 %
Advertising and promotions	44,742	37,543	7,199	19 %
General administration and other	16,610	11,768	4,842	41 %
Depreciation and amortization	3,290	914	2,376	260 %
Loss from operations	(25,788)	(12,185)	(13,603)	112 %
Interest expense, net	(223)	(17)	(206)	n/m
Loss before income taxes	(26,011)	(12,202)	(13,809)	113 %
Income tax expense	2,335	1,752	583	33 %
Net loss	\$ (28,346)	\$ (13,954)	\$ (14,392)	103 %
*n/m means not meaningful				

Revenue. Revenue increased by \$20.9 million, or 17%, to \$143.7 million for the three months ended June 30, 2022 as compared to \$122.8 million for the same period in 2021. The increase was mainly due to and directly correlated with our continued growth in a majority of our existing markets, as well as our expansion into new markets such as Arizona, Connecticut, Louisiana, New York and Ontario, Canada, which had not launched until after June 30, 2021. The increase reflects higher period-over-period online casino and sports betting revenue of \$19.9 million and retail sports betting revenue of \$1.1 million, which was partially offset by a decrease in social gaming revenue of \$0.1 million.

Costs of Revenue. Costs of revenue increased by \$20.1 million, or 24%, to \$104.9 million for the three months ended June 30, 2022 as compared to \$84.8 million for the same period in 2021. The increase was mainly due to and directly correlated with our expansion and continued growth in existing and new markets. Gaming taxes, operating expenses, payment processing costs and market access costs contributed \$7.0 million, \$6.7 million, \$3.2 million and \$2.2 million, respectively, to the period-over-period increase in costs of revenue, with personnel costs contributing to the remainder of the period-over-period increase. Costs of revenue as a percentage of revenue increased to 73% for the three months ended June 30, 2022 as compared to 69% for the same period in 2021.

Advertising and Promotions. Advertising and promotions expense increased by \$7.2 million, or 19%, to \$44.7 million for the three months ended June 30, 2022 as compared to \$37.5 million for the same period in 2021. The increase was mainly due to new and increased marketing efforts and strategies in newly entered and existing markets to increase

customer awareness and use of our offerings, such as executing strategic marketing or sponsorship arrangements with the NBA's New Orleans Pelicans, former Major League Baseball player and manager Bobby Valentine, Dan O'Toole, Joakim Noah, Mike Francesa, the Chicago Bears, Mike Ditka, Field of 68, Field of 12, Mark Schlereth and podcast organizations. Advertising and promotions expense as a percentage of revenue was flat at 31% for the three months ended June 30, 2022 and 2021.

General Administration and Other. General administration and other expense increased by \$4.8 million, or 41%, to \$16.6 million for the three months ended June 30, 2022 as compared to \$11.8 million for the same period in 2021. The increase was due to higher personnel and other administrative costs, which is consistent with the ongoing growth of our business. General administration and other expense as a percentage of revenue increased to 12% for the three months ended June 30, 2022 as compared to 10% for the same period in 2021.

Depreciation and Amortization. Depreciation and amortization expense increased by \$2.4 million, or 260%, to \$3.3 million for the three months ended June 30, 2022 as compared to \$0.9 million for the same period in 2021. The increase was mainly due to additional purchases of property and equipment and other definite lived intangible assets. Depreciation and amortization expense as a percentage of revenue increased to 2% for the three months ended June 30, 2022 as compared to 1% for the same period in 2021.

Interest Expense, Net. Interest expense, net was \$0.2 million for the three months ended June 30, 2022 as compared to less than \$0.1 million for the same period in 2021. The increase was mainly attributable to the recognition of additional imputed interest associated with the recognition of deferred royalties and the commencement of additional finance leases relating to online gaming servers as we expand into new jurisdictions.

Income Tax Expense. Income tax expense was \$2.3 million for the three months ended June 30, 2022 and \$1.8 million for the same period in 2021. Income tax expense for the three months ended June 30, 2022 related to profitability of our foreign operations for which both current and deferred taxes are recorded. Income tax expense as a percentage of revenue increased to 2% for the three months ended June 30, 2022 as compared to 1% for the same period in 2021.

Comparison of the Six Months Ended June 30, 2022 and 2021

(\$ in thousands)	Six Months Ended June 30,		Change	
	2022	2021	\$	%*
Revenue	\$ 278,674	\$ 234,620	\$ 44,054	19 %
Costs of revenue	204,740	164,447	40,293	25 %
Advertising and promotions	111,591	79,759	31,832	40 %
General administration and other	32,150	28,332	3,818	13 %
Depreciation and amortization	6,027	1,588	4,439	280 %
Loss from operations	(75,834)	(39,506)	(36,328)	92 %
Interest expense, net	(445)	(30)	(415)	n/m
Change in fair value of warrant liabilities	—	41,802	(41,802)	(100) %
Change in fair value of earnout interests liability	—	(13,740)	13,740	(100) %
Loss before income taxes	(76,279)	(11,474)	(64,805)	n/m
Income tax expense	4,337	2,556	1,781	70 %
Net loss	\$ (80,616)	\$ (14,030)	\$ (66,586)	n/m

*n/m means not meaningful.

Revenue. Revenue increased by \$44.1 million, or 19%, to \$278.7 million for the six months ended June 30, 2022 as compared to \$234.6 million for the same period in 2021. The increase was mainly due to and directly correlated with our continued growth in the majority of our existing markets, as well as our expansion into new markets such as Connecticut and Ontario, Canada, which went live after June 30, 2021. The increase reflects higher period-over-period online casino and sports betting revenue of \$41.6 million and retail sports betting revenue of \$2.9 million, which was partially offset by a decrease in social gaming revenue of \$0.4 million.

Costs of Revenue. Costs of revenue increased by \$40.3 million, or 25%, to \$204.7 million for the six months ended June 30, 2022 as compared to \$164.4 million for the same period in 2021. The increase was mainly due to and directly

correlated with, our expansion and continued growth in existing and new markets as noted above. Gaming taxes, operating expenses, market access costs, payment processing costs, and personnel costs contributed \$18.6 million, \$11.9 million, \$6.8 million, \$1.7 million and \$1.3 million, respectively. Costs of revenue as a percentage of revenue increased to 73% for the six months ended June 30, 2022 as compared to 70% for the same period in 2021.

Advertising and Promotions. Advertising and promotions expense increased by \$31.8 million, or 40%, to \$111.6 million for the six months ended June 30, 2022 as compared to \$79.8 million for the same period in 2021. The increase was mainly due to new and increased marketing efforts and strategies in newly entered and existing markets to increase customer awareness and acquisition for our offerings, such as the strategic marketing and/or sponsorship arrangements that we entered into with the NBA's New Orleans Pelicans, former Major League Baseball player and manager Bobby Valentine, Dan O'Toole, Joakim Noah, Mike Francesa, the Chicago Bears, Mike Ditka, Field of 68, Field of 12, Mark Schlereth and podcast organizations. Advertising and promotions expense as a percentage of revenue increased to 40% for the six months ended June 30, 2022 as compared to 34% for the same period in 2021.

General Administration and Other. General administration and other expense increased by \$3.8 million, or 13%, to \$32.1 million for the six months ended June 30, 2022 as compared to \$28.3 million for the same period in 2021. The increase was due to higher personnel and other administrative costs, which is consistent with the ongoing growth of our business. General administration and other expense as a percentage of revenue remained flat at 12% for the six months ended June 30, 2022 and 2021.

Depreciation and Amortization. Depreciation and amortization expense increased by \$4.4 million, or 280%, to \$6.0 million for the six months ended June 30, 2022 as compared to \$1.6 million for the same period in 2021. The increase was mainly due to additional purchases of property and equipment and other definite lived intangible assets. Depreciation and amortization expense as a percentage of revenue was 2% for the six months ended June 30, 2022 as compared to 1% for the same period in 2021.

Interest Expense, Net. Interest expense, net was \$0.4 million for the six months ended June 30, 2022 as compared to \$30.0 thousand for the same period in 2021. The increase was mainly attributable to the recognition of additional imputed interest associated with the recognition of deferred royalties and the commencement of additional finance leases relating to online gaming servers as we expand into new jurisdictions.

Change in Fair Value of Warrant Liabilities. Change in fair value of warrant liabilities was nil for the six months ended June 30, 2022 as compared to \$41.8 million for the same period in 2021. Gains and losses are primarily attributable to the remeasurement of the liability at fair value and were primarily a result of changes in the underlying price of our Class A Common Stock. The liability was fully settled as of June 30, 2021.

Change in Fair Value of Earnout Interests Liability. Change in fair value of earnout interests liability was nil for the six months ended June 30, 2022 as compared to a loss of \$13.7 million for the same period in 2021. Gains and losses are attributable to the remeasurement of the liability at fair value and were primarily a result of changes in the underlying share price of our Class A Common Stock. The liability was fully settled as of June 30, 2021.

Income Tax Expense. Income tax expense was \$4.3 million for the six months ended June 30, 2022 and \$2.6 million for the same period in 2021. Income tax expense for the six months ended June 30, 2022 and 2021 related to the profitability of our foreign operations for which both current and deferred taxes are recorded. Income tax expense as a percentage of revenue was 2% for the six months ended June 30, 2022 as compared to 1% for the same period in 2021.

Seasonality and Other Trends Impacting Our Business

Our results of operations can and generally do fluctuate due to seasonal trends and other factors such as level of customer engagement, online casino and sports betting results and other factors that are outside of our control or that we cannot reasonably predict. Our quarterly financial performance depends on our ability to attract and retain customers. Customer engagement in our online offerings may vary due to, among other things, customer satisfaction with our platform, the number and timing of sporting events, the length of professional sports seasons, our offerings and those of our competitors (including those not just in the online gaming industry but also in the entertainment industry more broadly), our marketing efforts, climate and weather conditions, public sentiment or an economic downturn. As customer engagement varies, so may our quarterly financial performance.

Our quarterly financial results may also be impacted by the number and amount of betting losses and jackpot payouts we experience. Although our losses are limited per stake to a maximum payout in our online casino offering, when looking at bets across a period of time, these losses can be significant. As part of our online casino offering, we offer progressive

jackpot games. Each time a customer plays a progressive jackpot game, we contribute a portion of the amount bet to the jackpot for that game or group of games. When a progressive jackpot is won, the jackpot is paid out and is reset to a predetermined base amount. Winning the jackpot is determined by a random mechanism. We cannot foresee when a jackpot will be won and we do not insure against jackpot payouts. Paying the progressive jackpot decreases our cash position.

Our online sports betting and retail sports betting operations experience seasonality based on the relative popularity and frequency of certain sporting events. Although sporting events occur throughout the year, our online sports betting customers are most active during the American football season as well as during the NBA and NCAA basketball seasons. In addition, the suspension, postponement or cancellation of major sports seasons and sporting events due to COVID-19 may adversely impact our quarterly results. See “— *Impact of COVID-19.*”

From a legislative perspective, we are continuing to see strong momentum to legalize and regulate online sports betting in new U.S. jurisdictions. As expected, in many cases these new U.S. jurisdictions are first trying to legalize and regulate online sports betting before considering whether to legalize and regulate online casino. However, given the tax generation success of online casino in markets where it has been legalized, we are also continuing to see strong momentum for online casino in several U.S. jurisdictions that are looking for additional revenue sources to fund expanding budgets.

We operate within the global gaming and entertainment industry, which is comprised of diverse products and offerings that compete for consumers’ time and disposable income. We face, and expect to continue to face, significant competition from other industry players both within existing and new markets including from competitors with access to more resources or experience. Customer demands for new and innovative offerings and features require us to continue to invest in new technologies and content to improve the customer experience. Many jurisdictions in which we operate or intend to operate in the future have unique regulatory and/or technological requirements, which require us to have robust, scalable networks and infrastructure, and agile engineering and software development capabilities. The global gaming and entertainment industry has seen significant consolidation, regulatory change and technological development over the last few years, and we expect this trend to continue into the foreseeable future, which may create opportunities for us but may also create competitive and margin pressures.

Liquidity and Capital Resources

We measure liquidity in terms of our ability to fund the cash requirements of our business operations, including working capital and capital expenditure needs, contractual obligations and other commitments, with cash flows from operations. Our current working capital needs relate mainly to supporting our existing businesses, the growth of these businesses in their existing markets and their expansion into other geographic regions, as well as our employees’ compensation and benefits.

We had \$201.7 million in cash and cash equivalents as of June 30, 2022 (excluding customer cash deposits, which we segregate from our operating cash balances on behalf of our real-money customers for all jurisdictions and products). On February 22, 2021, we announced the redemption (the “Redemption”) of all the Company’s warrants to purchase Class A common stock (“Class A Common Stock”) that were issued to third parties in connection with the initial public offering of dMY Technology Group, Inc. (“dMY” and such warrants, the “Public Warrants”), which were exercisable for an aggregate of approximately 11.5 million shares of Class A Common Stock at a price of \$11.50 per share. During the six months ended June 30, 2021, 11,442,389 Public Warrants were exercised at a price of \$11.50 per share, resulting in cash proceeds of approximately \$131.6 million. We intend for the foreseeable future to continue to finance our operations without third-party debt and entirely from operating cash flows, if any, and proceeds from the Redemption.

In connection with the business combination between dMY and RSILP on December 29, 2020 (the “Business Combination”), we executed a Tax Receivable Agreement, dated as of December 29, 2020 (the “TRA”), by and among RSI ASLP, Inc. (the “Special Limited Partner”), Rush Street Interactive, LP (“RSILP”), the sellers in the Business Combination (the “Sellers”) and the Sellers’ representative, which generally provides for the payment by the Special Limited Partner of 85% of certain net tax benefits, if any, that the Company and its consolidated subsidiaries, including the Special Limited Partner, realize (or in certain cases is deemed to realize) as a result of the increases in tax basis and tax benefits related to the transactions contemplated under the agreement governing the Business Combination and the exchange of certain common units in RSILP retained by the Sellers for Class A Common Stock (or cash) and tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA. Although the actual timing and amount of any payments made under the TRA will vary, such payments may be significant. Any payments made under the TRA will generally reduce the amount of overall cash flow that might have otherwise been available to us and, to the extent that payments required under the TRA are unable to be made for any reason, the unpaid amounts generally will be deferred and

will accrue interest until paid. To date, no material payments under the TRA have been made, and no material payments or accrued payments thereunder are expected in the near future as payments under the TRA are not owed until the tax benefits generated thereunder are more-likely-than-not to be realized.

We expect our existing cash and cash equivalents, proceeds from the Redemption and cash flows from operations to be sufficient to fund our operating activities and capital expenditure requirements for at least the next 12 months and thereafter for the foreseeable future. We may, however, need additional cash resources due to changed business conditions or other developments, including unanticipated regulatory developments, significant acquisitions and competitive pressures. We expect our capital expenditures and working capital requirements to continue to increase in the immediate future to support our growth as we seek to expand our offerings across more of North America, Latin America and worldwide, which will require significant investment in our online gaming platform and personnel, in particular in product development, engineering and operations roles. We also expect to increase our marketing, advertising and promotional spend in existing and new markets, as well as market access fees and license costs as we continue to enter into new market access arrangements with local partners in new jurisdictions. In particular, we are party to several non-cancelable contracts with vendors and licensors for marketing and other strategic partnerships, pursuant to which we are obligated to make future minimum payments under the non-cancelable terms of these contracts. To the extent that our current resources are insufficient to satisfy our cash requirements, we may need to seek additional equity or debt financing. If the needed financing is not available, or if the terms of financing are less desirable than we expect, we may be forced to decrease our level of investment in new product or service launches and related marketing initiatives or to scale back our existing operations, which could have an adverse impact on our business and financial prospects.

We expect our material cash requirements during the upcoming 12-month period to include \$7.5 million of non-cancellable purchase obligations with marketing vendors, \$7.7 million of license and market access fees, and \$0.4 million of lease payments. In addition, we will continue to pursue expansion into new markets, which is expected to require significant capital investments. We have \$61.0 million of additional non-cancellable purchase obligations subsequent to the upcoming 12-month period. Management believes our current cash holdings and, if necessary or desirable, various avenues available to pursue funding in the capital markets will suffice to fund these obligations.

As of June 30, 2022 and December 31, 2021, we had no off-balance sheet arrangements.

Debt

As of June 30, 2022, we had no debt outstanding. We have an outstanding letter of credit for \$1.0 million in connection with our operations in Colombia, for which no amounts have been drawn as of June 30, 2022.

Cash Flows

The following table shows our cash flows from operating activities, investing activities and financing activities for the six months ended June 30, 2022 and 2021:

(\$ in thousands)	Six Months Ended June 30,	
	2022	2021
Net cash used in operating activities	\$ (61,264)	\$ (10,423)
Net cash used in investing activities	(9,914)	(5,263)
Net cash (used in) provided by financing activities	(455)	127,329
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(389)	(888)
Net change in cash, cash equivalents and restricted cash	\$ (72,022)	\$ 110,755

Operating activities. Net cash used in operating activities for the six months ended June 30, 2022 increased by \$50.9 million to \$61.3 million, as compared to \$10.4 million during the same period in 2021. The increase reflects a greater period-over-period net loss totaling \$66.6 million and an \$8.8 million increase of cash used resulting from changes in working capital, which was partially offset by an increase in non-cash expenses totaling \$24.7 million. The increase in non-cash expenses was driven primarily by a lower impact of changes in fair value of warrant liabilities totaling \$41.8 million, which was partially offset by a decrease in share-based compensation expense totaling \$8.4 million and changes in fair value of earnout interests liability totaling \$13.7 million. The remaining increase in other non-cash expenses totaled \$5.0 million.

Investing activities. Net cash used in investing activities for the six months ended June 30, 2022 increased by \$4.6 million to \$9.9 million, as compared to \$5.3 million during the same period in 2021. The increase reflects higher period-over-period cash paid for internally developed software costs totaling \$3.8 million, an increase in cash paid for asset acquisitions totaling \$1.5 million and an increase in property and equipment purchases totaling \$0.9 million, which was partially offset by a decrease in long-term time deposits totaling \$0.3 million and cash paid to acquire gaming licenses totaling \$1.3 million.

Financing activities. Net cash used in financing activities for the six months ended June 30, 2022 was \$0.5 million, while net cash provided by financing activities for the same period in 2021 was \$127.3 million. The period-over-period difference reflects lower proceeds from the exercise of Public Warrants totaling \$131.6 million, partially offset by less cash used for distributions to non-controlling interest holders totaling \$0.3 million and repurchases of Class A Common Stock totaling \$3.5 million.

Critical Accounting Policies and Estimates

We have prepared our unaudited condensed consolidated financial statements in accordance with GAAP. In doing so, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Management bases estimates on historical experience and other assumptions it believes to be reasonable under the circumstances and evaluates these estimates on an on-going basis. Actual results may differ from these estimates. Management has discussed the development, selection and disclosure of these estimates and assumptions with the Audit Committee of the Board.

There were no material changes during the quarter ended June 30, 2022, to the critical accounting policies and estimates discussed in our Annual Report. For a more complete discussion of our critical accounting policies and estimates, refer to our Annual Report.

Emerging Growth Company Accounting Election

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”) exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable. We are an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended, and have elected to take advantage of the benefits of this extended transition period. We remain an emerging growth company and are expected to continue to take advantage of the benefits of the extended transition period. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions for emerging growth companies because of the potential differences in accounting standards used.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We operate primarily in United States, Canada and Latin America. As such, we have been exposed in the past and may in the future be exposed to certain market risks, including interest rate, foreign currency exchange and inflation risks, in the ordinary course of our business. Currently, these risks are not material to our financial condition or results of operations, but they may be in the future.

Interest Rate Risk

As of June 30, 2022, we had cash, cash equivalents and restricted cash of \$228.3 million, which consisted primarily of bank deposits and money market funds. Such interest-earning instruments carry a degree of interest rate risk; however, due to the relatively short-term nature of these instruments, historical fluctuations of interest income have not been significant. The primary objective of our investment activities are to preserve principal and provide liquidity without significantly increasing risk. A 10% increase or decrease in the interest rates of these interest-earning instruments would not have a material effect on our unaudited condensed consolidated financial statements for the six months ended June 30, 2022.

Foreign Currency Exchange Rate Risk

We have been exposed to foreign currency exchange risk related to our transactions in currencies other than the U.S. Dollar, which is our functional and reporting currency. We seek to naturally hedge our foreign exchange transaction exposure by matching the transaction currencies for our cash inflows and outflows. Currently, we do not otherwise hedge our foreign exchange exposure but may consider doing so in the future. Our foreign currency exposure is primarily with respect to the Colombian Peso and the Canadian Dollar. Colombia and Canada each accounted for less than 10% of our revenue for the six months ended June 30, 2022 and 2021. A 10% increase or decrease in the value of these currencies compared to the U.S. Dollar would not have a material effect on our unaudited condensed consolidated financial statements for the six months ended June 30, 2022.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations as of and for the six months ended June 30, 2022. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and operating results.

Item 4. Controls and Procedures.

Management’s Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Report. Our disclosure controls and procedures are designed to provide reasonable assurance that information we are required to disclose in reports that are filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC. Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2022.

Changes in Internal Control Over Financial Reporting

There have been no change in the Company’s internal control over financial reporting during the quarter ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, as specified above. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time we become involved in legal proceedings (including as described below) concerning matters arising in connection with the conduct of our business activities. These proceedings may be at varying stages, and many of these proceedings may seek an indeterminate amount of damages. We regularly evaluate the status of the legal proceedings in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a loss or an additional loss may have been incurred and to determine if accruals are appropriate. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of the possible loss or range of possible loss can be made.

Todd L. Anderson. vs. Rush Street Gaming, LLC and Rush Street Interactive, LLC

A complaint in the case *Todd L. Anderson. vs. Rush Street Gaming, LLC and Rush Street Interactive, LLC*, Case Number # 120CV04794 that was filed in the U.S. District Court for the Northern District of Illinois, was served on us on August 18, 2020 and was subsequently amended and served on us on September 15, 2020. The amended complaint alleges that Todd Anderson was offered a 1% equity stake in RSILP in 2012 that was never issued and asserts claims of breach of contract, promissory estoppel, constructive fraud, conversion, breach of fiduciary duty and unjust enrichment. On October 13, 2020, RSILP filed a motion to dismiss all the alleged claims asserted in the complaint. On September 28, 2021, the court entered an order granting in part and denying in part RSILP's motion to dismiss, dismissing Mr. Anderson's constructive fraud, breach of fiduciary duty and unjust enrichment claims, but allowing his remaining claims to proceed. On October 19, 2021, RSILP filed an answer to the amended complaint, and as of June 10, 2022, the parties entered into a Settlement Agreement (the "Settlement Agreement"), pursuant to which the case and all remaining claims were dismissed with prejudice on June 13, 2022 pursuant to a joint stipulation of the parties and which facilitated the acquisition of Rush Street Productions, LLC, a Delaware limited liability company ("RSP"). The Audit Committee of the Board approved the Settlement Agreement in accordance with our Related-Party Transactions Policy, and the Board (with Mr. Neil Bluhm and certain other directors abstaining) approved the same. For additional information about the acquisition of RSP and the Settlement Agreement, see Note 12 of our unaudited condensed consolidated financial statements included elsewhere in this Report.

Other

In addition to the above actions, we are subject to various other legal proceedings and claims that arise in the ordinary course of business. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial condition, results of operations or liquidity, though the outcomes could be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed under the heading "Risk Factors" in our Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On June 10, 2022, the Company entered into an agreement to purchase all of the equity interests of RSP from the sole owner, Mr. Todd Anderson, for an aggregate purchase price of approximately \$4.7 million. The Company issued 480,000 shares of Class V Common Stock (and RSILP issued a corresponding number of RSILP Units) valued at \$2.4 million. The RSILP Units may be exchanged, subject to certain restrictions, for Class A Common Stock. Upon exchange of an RSILP Unit, a share of Class V Common Stock is cancelled. The issuance was made to Mr. Anderson, who is an accredited investor, in reliance on Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D promulgated thereunder. For additional information about the acquisition, see Note 12 of our unaudited condensed consolidated financial statements included elsewhere in this Report.

Item 6. Exhibits.

The following exhibits are being filed or furnished, as applicable, herewith:

Exhibit Number	Description
2.1	<u>Amended and Restated Business Combination Agreement, dated as of October 9, 2020, by and among the Company, RSILP, Sellers, Sponsor and Rush Street Interactive GP, LLC (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed with the SEC on October 13, 2020).</u>
2.2	<u>Amendment to Amended and Restated Business Combination Agreement, dated as of December 4, 2020, by and among the Company, RSILP, Sellers, Sponsor and Rush Street Interactive GP, LLC (incorporated by reference to Annex A-2 to Company's Preliminary Proxy Statement filed with the SEC on December 4, 2020).</u>
31.1*	<u>Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
104.1	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit).

* Filed herewith.

** This exhibit is furnished herewith and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 5, 2022

RUSH STREET INTERACTIVE, INC.

By: /s/ Kyle Sauers

Kyle Sauers

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Richard Schwartz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rush Street Interactive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2022

/s/ Richard Schwartz

Richard Schwartz

Chief Executive Officer and Director
(Principal Executive Officer)

**Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Kyle Sauers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rush Street Interactive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2022

/s/ Kyle Sauers

Kyle Sauers

Chief Financial Officer

(Principal Financial Officer)

**Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Richard Schwartz, Chief Executive Officer and Director of Rush Street Interactive, Inc. (the “Company”), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2022

/s/ Richard Schwartz

Richard Schwartz

Chief Executive Officer and Director

(Principal Executive Officer)

**Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Kyle Sauers, Chief Financial Officer of Rush Street Interactive, Inc. (the “Company”), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2022

/s/ Kyle Sauers

Kyle Sauers

Chief Financial Officer

(Principal Financial Officer)