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The Hyperliquid Cash-Flow Test:

Can Onchain Protocols Prove Fundamentals?

July 2026

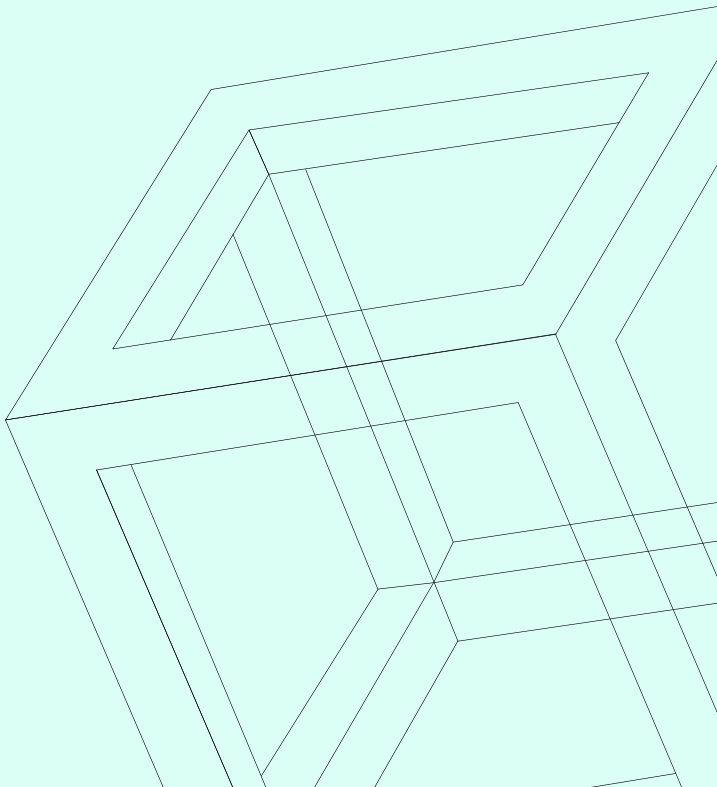


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Executive Summary

Hyperliquid returns $0.83 of every dollar in fee revenue to HYPE holders through an automated buyback-and-burn programme that has already retired 33.4% of circulating supply in thirteen months. Of each fee dollar, roughly 97 to 99 cents is routed to the Assistance Fund before costs, and about 83 cents ultimately reaches holders once builder-code and deployer fees are netted out. That mechanism is real and independently verifiable onchain, but it is not the equivalent of a corporate dividend: HYPE carries no contractual claim on protocol profits, and the buyback is a governance policy that a validator vote can revoke or redirect at any time.

The multiple the market pays for that flow depends entirely on which supply base and which revenue line are used. On a circulating-supply basis, Hyperliquid's price-to-fees multiple has averaged roughly 13.9x over the trailing thirteen months, close to CME Group's 14.9x on a total-revenue basis — the "discount to TradFi" cited in bullish research. Measured on a like-for-like trading-fee basis, however, Hyperliquid's current circulating multiple of about 17.3x sits in line with CME's 18.4x rather than at a discount, and on a fully diluted basis the multiple runs from 31.7x to 79x across the series - both readings undercut the discount narrative.

The fee revenue behind all of these readings is highly cyclical, having fallen 66% from its August 2025 peak by June 2026, so the payout rate underpinning the bull case has not yet been tested against a sustained downturn. The nearest test is the AQAv2 governance close around 3 October 2026, when a new USDC-yield revenue stream enters the Assistance Fund for the first time during the weakest fee readings in the thirteen-month series. For allocators, the distinction that matters is between capacity and commitment: Hyperliquid has demonstrated it can generate and distribute cash at scale, but it has not yet been forced to choose between maintaining the payout and preserving capital when both cannot be done at once.

1 – Is HYPE a cash-flow generating asset like stocks?

The Hyperliquid protocol returns $0.83 of every dollar in fee revenue to its token holders, while incumbent exchange Coinbase returns $0.19 (CF Benchmarks). Those two numbers, side by side, explain why HYPE has been seen as a compelling investment thesis and why the token attracted over $136 million in net inflows across exchange-traded products in its first three weeks of trading (The Block).

Yet they do not yet tell how this return is generated, how its magnitude is defined, how it can be used to infer the intrinsic value of the token HYPE and how sustainable it is as a holder-incentive mechanism. To answer these questions, we decompose the investment narrative into four claims: (i) that the revenue is real; (ii) that the buyback distribution is a true equivalent of a corporate one; (iii) that the multiple it commands belongs alongside those of listed exchanges; and (iv) that the payout will last.

As the table below illustrates, when we test these premises, only the first survives intact while the other three hold only in part. Beneath all four sits a single distinction the listed-exchange multiple obscures: that classic stock multiples capitalize a contractual right to a share of earnings, whereas a HYPE holder owns a protocol policy that a governance vote can theoretically revoke at any moment.

Table 1 - HYPE has the mechanism but not the formal entitlement to accrued fees

Question	Verdict	Evidence
Does the protocol generate real, auditable revenue?	Sustained	• Fees: $894M through Jun 2026 • Fully onchain, verifiable in real time • Pro-cyclical price risk: −66% from Aug 2025 peak
Is the Buyback program comparable to a corporate one?	Partially sustained	• Mechanics: >$2B burned permanently • No legal entitlement to profits for token holders • Policy is revocable by governance
Does the P/Fees multiple compare to listed-exchange multiples?	Partially sustained	• Circulating P/F: 8.5×–19.3×; discount only at cycle trough • FDV P/F: 31.7×–79× — no discount on the full supply • Multiple capitalizes a revocable flow, not an entitlement
Is the payout durable?	Conditional	• Requires: market share retention vs. competition • Requires: governance to preserve buyback under stress • First test: AQAv2 governance close, ~Oct 2026

Sources: DeFiLlama; Hyperliquid Docs; CF Benchmarks Research; 21Shares Research; CoinShares Research; Token Terminal; crypto.news.

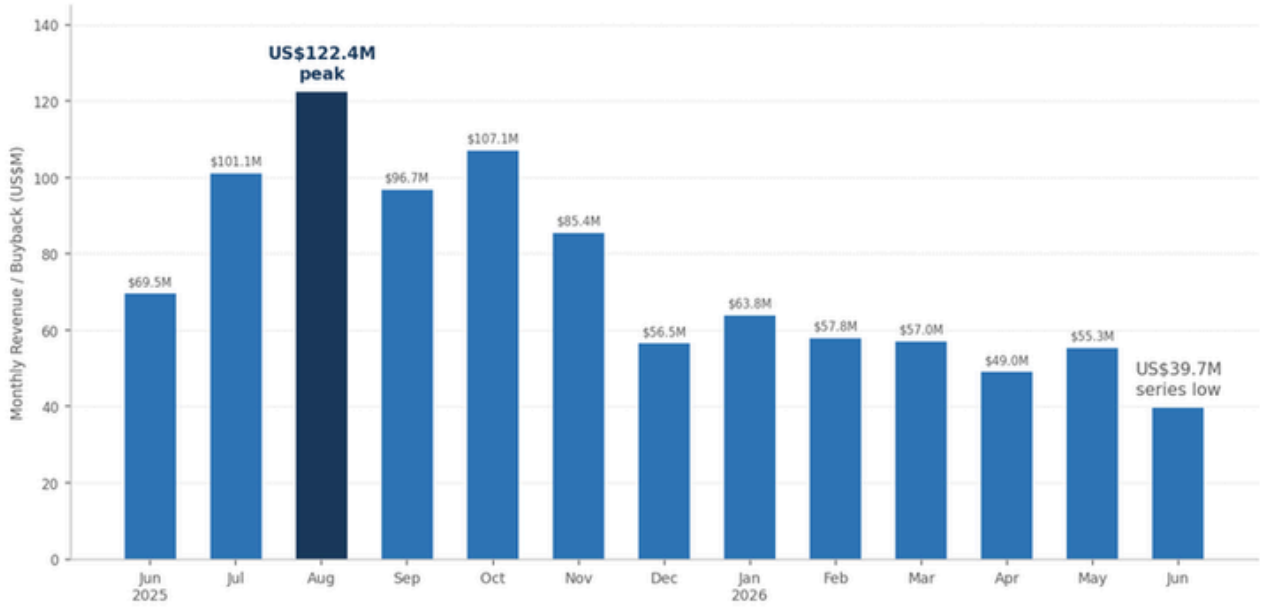
2 – The revenue is real and tied to Hyperliquid's trading activity

In the 12 months ending in June 2026, Hyperliquid fee revenue totalled approximately $894 million (Token Terminal). The revenue, however, is not stable. Since fees are generated by trading activity in the exchange, the protocol's income is directly tied to notional trading volume, a strongly volatile performance indicator. To illustrate that: from the August 2025 monthly peak of $122.4 million, fee revenue declined 66% to $42.0 million by June 2026 (Token Terminal).

The mechanism behind the payout is natively built into Hyperliquid's technology. The project documentation describes the process: "The assistance fund uses the system address '0xfefe...fefe'. It converts trading fees to HYPE in a fully automated manner as part of the L1 execution. HYPE in the assistance fund is burned, removing the tokens permanently from the circulating and total supply" (Hyperliquid Docs).

The burn is measurable onchain. The circulating supply fell from 333.9 million HYPE in June 2025 to 222.4 million in June 2026, a reduction of 33.4% in thirteen months (Token Terminal). The cumulative value purchased and burned crossed $2 billion by mid-May 2026, and an 85%-supported governance vote in December 2025 formally recognized roughly 37 million HYPE, more than 10% of the then-circulating supply, as permanently burned (CoinDesk; crypto.news).

Chart 1 - The cash flow is real but pro-cyclical: monthly fee revenue peaked at $122M in August 2025 and has fallen 66% to $42M in June 2026



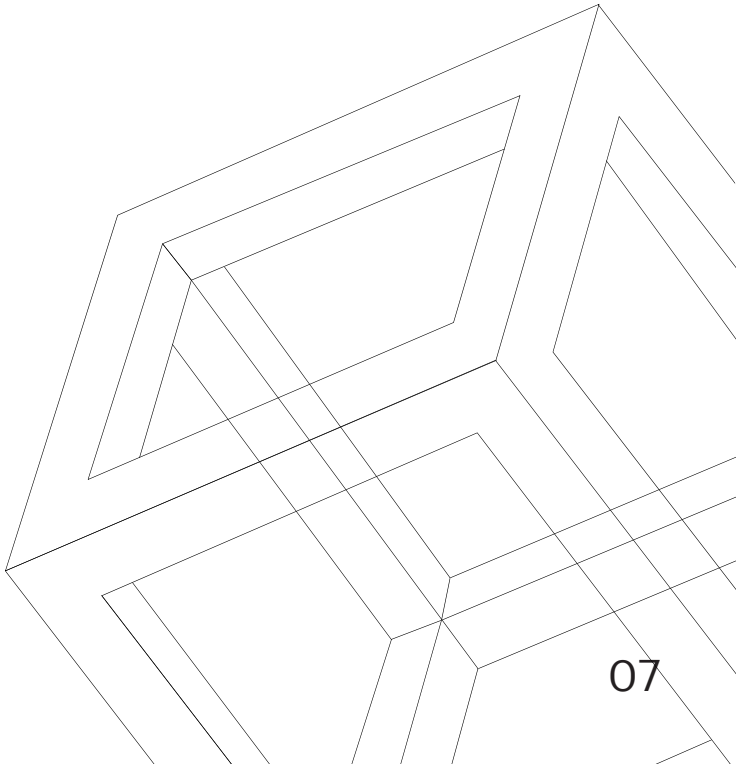
Source: Token Terminal – Hyperliquid Financial Statement, monthly fee revenue series Jun 2025–Jun 2026.

The scale of this activity is without parallel in the crypto market: Hyperliquid accounted for approximately 46% of all token buyback activity across the crypto market in 2025 (Citrini). Taken as a percentage of market capitalization, the annualized buyback rate runs at approximately 7%, against roughly 1.5% for Ethereum, 1.2% for BNB, and 0.5% for Solana (crypto.news).

Of each fee dollar, roughly 97 to 99 cents is routed to the Assistance Fund before costs, and about 83 cents ultimately are used to generate value to holders once builder-code and deployer fees are netted out (DeFiLlama; CF Benchmarks). However, the sector comparison leaves unresolved an important caveat: to conventional financial analyses, the practice of returning 97% or more of a company's revenue to shareholders in the form of buybacks would hardly look sustainable, as Apple returns 25–30% via buybacks and dividends, and the median S&P 500 company returns 5–15% (crypto.news).

The mechanism's one structural weakness is capital-allocation efficiency: the same automation that makes the buyback impressive also removes capital-allocation discretion. The programmatic, indiscriminate nature of the purchases can be described as poor capital allocation, as the fund buys at market regardless of whether the token is cheap or expensive relative to fundamentals (Messari). That means that the mechanism optimizes for consistency rather than efficiency.

The most recent month of the series marks the point where the valuation argument begins. In June 2026, monthly active users reached a new series high of 358,700 and daily active users rose 17.7% month-on-month to 74,900. In the same month, the protocol's revenue fell to its lowest reading in the thirteen-month series (Token Terminal). The protocol is attracting more participants while collecting less per participant and per unit of volume – a pattern consistent with fee compression or a shift in user composition toward lower-volume activity. This is the factual anchor for the sustainability question in the fourth section of this report, which covers the valuation of HYPE.



3 – What the holder actually owns: the form of a dividend, none of the entitlement

Hyperliquid uses most of its operational revenue to generate value for token holders through a buyback-and-burn program. But it is important to note that HYPE ownership does not formally entitle holders to any portion of the protocol's profits (HYPE MiCA White Paper), so the specific combination of a sector-leading payout rate and zero legal entitlement requires a case-specific valuation framework with important adaptations in comparison with the ones used to price an exchange-listed crypto exchange.

To start with, the buyback is a governance policy, not a contractual commitment, as seen in the protocol's own history: in December 2025, the Hyper Foundation brought a proposal to formally burn the HYPE accumulated in the Assistance Fund, and 85% of validators voted yes (crypto.news). The protocol set the buyback rate through a vote, and the protocol can modify it through a vote. To put it into perspective the case of a comparable traditional program, the corporate treasurer who cuts a dividend faces a board, a shareholder rights plan, and the reputational cost of breaking an implicit contract with income investors.

The Hyperliquid governance participant faces a different calculation, shaped by a stake-weighted governance system: a proposal carries when more than two-thirds of the staked supply supports it, and the active set is the 27 largest stakers, refreshed each 90-minute epoch (Hyperliquid Docs; StakingRewards). Favoring the case for fair, community-aligned decision-making, that set is no longer the closed circle it was in early 2025, when five validators run by the Foundation controlled more than 81% of the staked total; it now includes independent institutional operators, with roughly 45% of all HYPE supply staked (Hyperliquid Docs; StakingRewards).

It is important to note that the concentration has moved, but it has not entirely dispersed. While 45% of the supply is staked, less than a quarter of it circulates, so the majority of the stake that carries votes corresponds to locked allocation held by insiders and the Foundation rather than free float, and core contributors and the Foundation together hold close to 30% of the supply outright (StakingRewards; Tokenomist), so voting weight sits disproportionately with the holders whose tokens are not yet liquid.

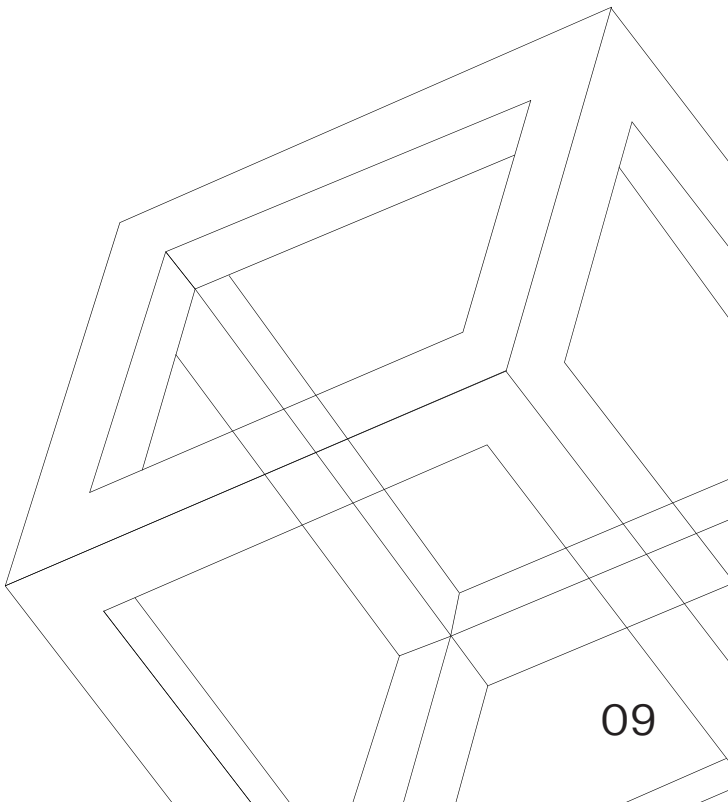
Yet in comparison to peers in crypto, Hyperliquid voting power concentration is quite moderate. In the case of founder-controlled listed exchange Coinbase, dual-class shares leave Coinbase's founder and affiliates with roughly 78% of the voting power (SEC EDGAR). Among onchain peers, a single venture firm can meet the entire quorum of a Uniswap vote, and the five largest validators on the dYdX chain control about 65% of its stake (CoinDesk; dYdX Forum). A deeper institutional case contrasts the other way: at CME, stock ownership is dispersed across institutions with no single holder above 10%, so a payout policy set under that structure could not be revoked by a handful of insiders (Fintel).

Hyperliquid's protocol's history confirms that its governance system allows centralized intervention: after the March 2025 JELLY incident, in which a coordinated position

squeezed the protocol's own liquidity vault to a peak unrealized loss of approximately $13.5 million (CoinDesk), validators voted to delist the affected market and settle positions at a price that differed materially from open-market prices (CoinDesk). The episode was resolved without systemic loss (protecting token holders as well as other stakeholders in the ecosystem), but demonstrated that the governance mechanism that sets the buyback policy is the same mechanism that can, under stress, reprice positions to protect the protocol.

These considerations allow us to conclude that HYPE buyback is directed by a group small enough to change it. But one boundary matters: this critique of revocability applies only to the future flow. More than 10% of HYPE circulating supply has been permanently removed and cannot be restored by any future governance decision.

Another response to the revocability argument is that, in traditional markets, equity dividends are also cut. Boards reduce payouts when revenue falls, and common stock offers no guarantee of continuity either. But a board that cuts a dividend has breached the implied covenant with shareholders who purchased specifically for income and who hold voting rights to respond, while Hyperliquid token holders have no equivalent standing. The payout rate of 97% or above is viable precisely because there is no obligation to maintain it. No corporate treasurer could sustain that payout rate under the scrutiny of a quarterly earnings call, because shareholders would demand a return only if the business case justified it. The Assistance Fund operates outside that accountability structure.

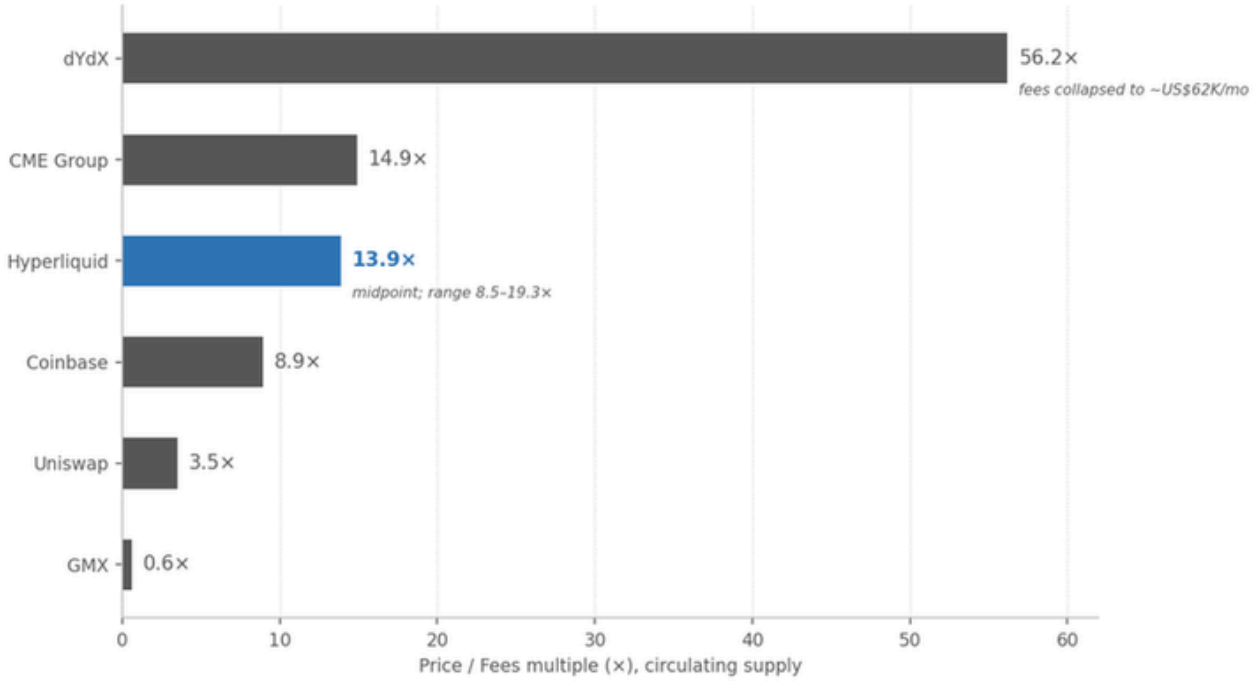


4 – What the multiple capitalizes: a revocable flow priced as a perpetuity

A circulating market capitalization of approximately $14 billion against trailing-twelve-month fees of roughly $894 million yields a price-to-fees multiple on a circulating-supply basis in the mid-teens, at a thirteen-month midpoint of about 13.9x, set against the CME Group's implied 14.9x and well above Coinbase's recent range of 6.6x to 8.9x (CoinGecko; Token Terminal; CME Group; CompaniesMarketCap). This comparison, however, is not strictly like-for-like: the CME and Coinbase multiples above are built on total company revenue (CME's includes market-data licensing and interest income on margin balances, and Coinbase's includes subscription and custody services), whereas Hyperliquid's is a pure trading-fee multiple. Measured on the comparable trading line alone, CME's clearing and transaction fees ($5.28 billion) imply roughly 18.4x and Coinbase's transaction revenue ($4.1 billion) roughly 10.2x–10.7x, so Hyperliquid's current circulating reading of about 17.3x (based on its June 2026 market cap, versus the $14.0B/13.9x cycle-midpoint cited above) sits broadly in line with CME rather than at a clear discount (CME Group; Coinbase).

The comparison to DeFi peers makes the "discount" argument harder, not easier, to sustain. The closest onchain perpetuals competitor, GMX, trades at a price-to-fees multiple of roughly 0.6x on a circulating-supply basis, and the dominant decentralized spot exchange Uniswap (that does not distribute dividends or conduct buybacks and burn tokens) at roughly 3.5x (Token Terminal; Token Terminal). By that measure Hyperliquid sits at a substantial premium to both, closer to the listed exchanges than to the protocols. The cautionary case is dYdX: its circulating multiple has climbed to roughly 56x, not because the market rewards it but because its monthly fees have collapsed to around $62,000, a fraction of their former level (Token Terminal). Within the DeFi universe, Hyperliquid does not trade at a discount; it trades at a multiple that requires either a TradFi-grade entitlement premium or a credible path to exchange-scale revenue growth to justify.

Chart 3 - Hyperliquid trades at a premium to onchain peers and near the listed-exchange line; dYdX's 56x reflects collapsed fees, not a premium

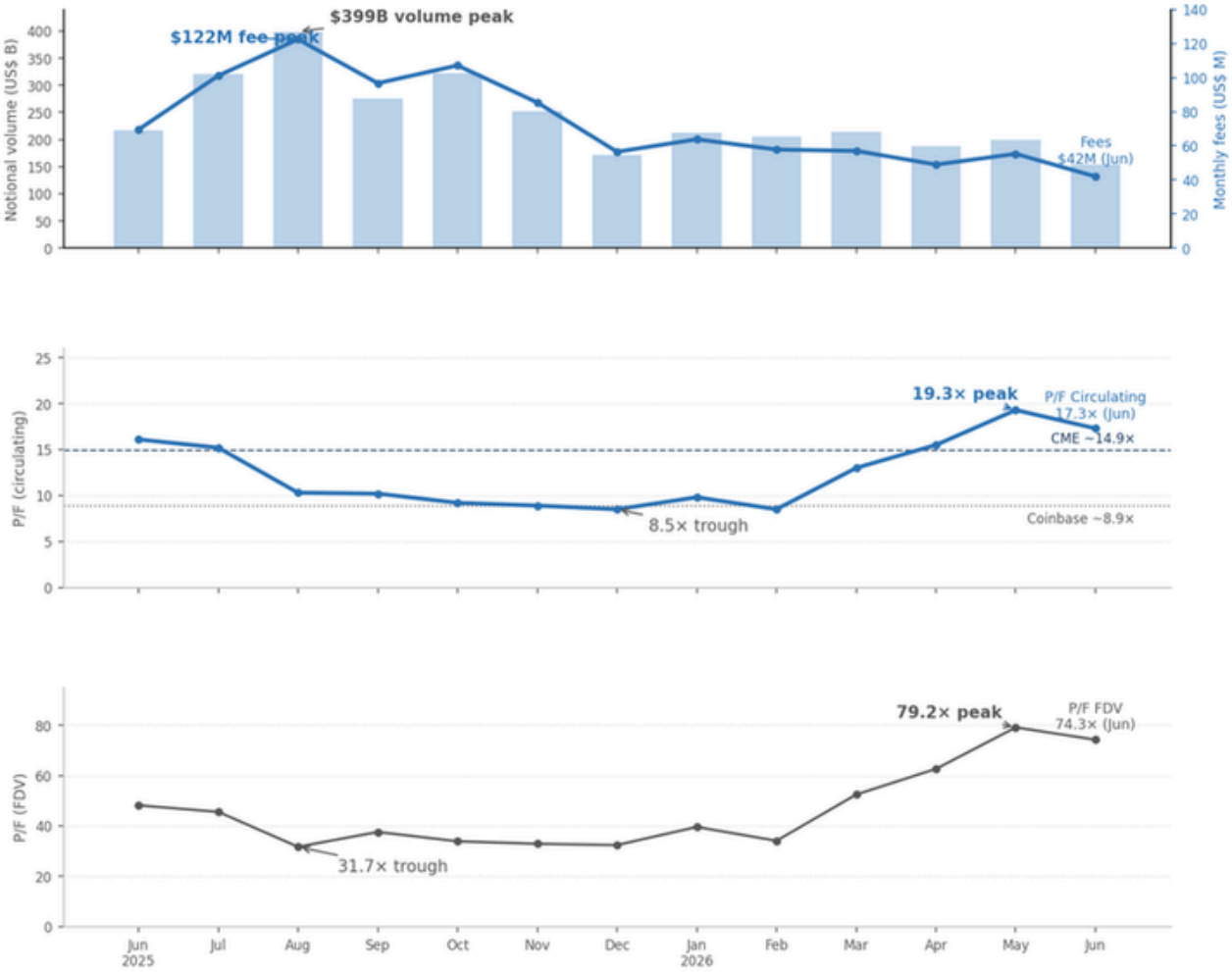


Sources: Token Terminal – Hyperliquid, GMX, dYdX, Uniswap, Jun 2026); CF Benchmarks Research, CME Group, Coinbase.

The operational efficiency case amplifies the argument: Hyperliquid generates approximately $79.36 million in revenue per employee against CME's $1.7 million, a difference of 46x (21Shares). Bear-case, base-case, and bull-case P/Fees multiples from independent price-to-fees analyses range from 10x to 20x (CoinShares). The bull narrative is internally consistent: a protocol generating exchange-scale revenue at exchange-level multiples, with no employees to speak of, looks underpriced on a static read.

The series data makes the static read untenable. The price-to-fees multiple on a circulating-supply basis has not held one level: it ranged from a low of 8.5x to a peak of 19.3x over the thirteen months through June 2026, with the discount to CME appearing only at the trough of the cycle (Token Terminal). Chart 4 plots the full monthly series, alongside the notional trading volume that leads it, against the TradFi benchmarks. That snapshot captured a point in the cycle, not the central tendency.

Chart 4 - The "discount" is a snapshot of a cyclical low: P/F ran 8.5x to 19.3x on circulating supply and 31.7x to 79x on a fully diluted basis over the last year



Sources: Token Terminal – monthly P/F & notional volume, Jun 2025–Jun 2026); CF Benchmarks Research; CME Group; Coinbase SEC EDGAR.

The choice of denominator changes the conclusion entirely. On a fully diluted valuation basis, pricing the 955.3 million total HYPE supply rather than the 222.4 million in circulation, the price-to-fees multiple does not look like CME: the full range over the thirteen-month series runs from 31.7x to 79x, and the June 2026 reading sits at 74.3x (CoinGecko; Token Terminal). On a price-to-earnings basis (where "earnings" is not accounting profit, which Hyperliquid does not report, but the fees returned to holders through the buyback), the multiple reads at roughly 61x, a level that still demands about 35% annual revenue growth for three years to justify (CF Benchmarks).

Looking forward, the approximately 388 million HYPE tokens classified as Future Emissions carry a schedule described as to be determined (CF Benchmarks). Until that schedule is defined, the FDV multiple is the more conservative estimate of what the market has actually capitalized, and 74x is not the multiple of an exchange trading at a discount.

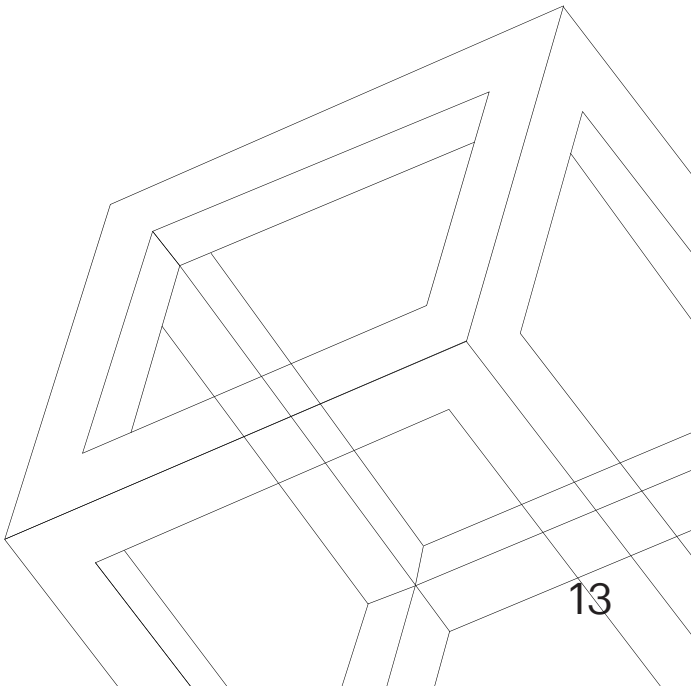
The base-case price target of approximately $147 per token by 2031 is built on a five-year perpetuity of the current fee stream at a specific growth rate (CoinShares).

Sensitivity analyses suggest that reducing the target multiplefrom 65x to 40x reduces the base-case valuation by approximately 38% (CF Benchmarks). Those sensitivity figures matter because the flow being capitalized is demonstrably cyclical. A 50% decline in trading volume would approximately halve the buyback intensity from its current annualized rate, and the peak-to-trough revenue decline from August 2025 to June 2026 has already illustrated that the magnitude of such swings is not theoretical (DeFiLlama).

On the supply side, the current picture is less alarming than some commentary suggests. The monthly buyback has ranged from $33 million to $49 million in the recent period. Monthly unlocks of core contributor tokens have ranged from $8.41 million in February 2026 to $25.3 million in May 2026 (DeFiLlama). In the short term, the buyback exceeds the core-contributor unlock in every recent month, and the circulating supply has fallen rather than risen. The more material supply concern is the Future Emissions category, approximately 388 million HYPE tokens whose vesting schedule has not been publicly defined (CF Benchmarks). Those tokens are what makes the FDV the more conservative denominator, and what makes the FDV-based multiple the more relevant number for anyone modelling a position that extends beyond the near term.

After all these considerations, we can conclude that sustainability depends not on the revenue being real, which it is, but on three conditions resolving simultaneously: (i) the protocol's share of the perpetual market holding up against competitors that have captured significant volume; (ii) governance choosing to maintain the buyback under revenue conditions worse than the current cycle; (iii) and regulators not acting on the pressure that CME Group and ICE brought to the CFTC in May 2026 against the decentralized exchange (CoinDesk; CF Benchmarks).

Thus, the P/Fees multiple comparison is partially sustained as a directional observation that fails on denominator and on entitlement, and the durability of the payout is conditional on all three resolving simultaneously. In other words, instead of buying a right over profits, the allocator is buying a bet that governance will continue returning cash when returning it is costly. That bet has a verification date.



5 – The test with a date: what to watch from October 2026

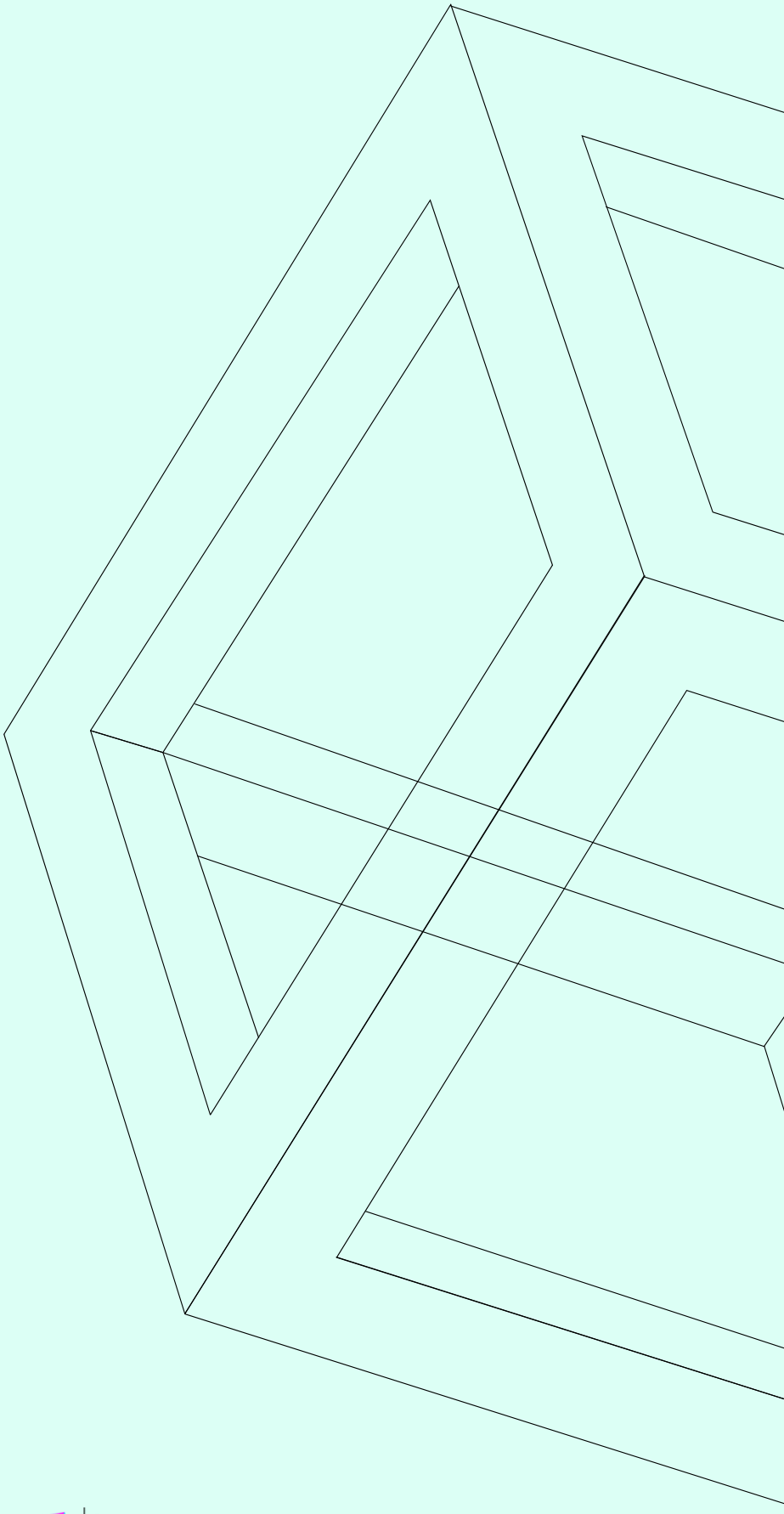
So why not price Hyperliquid like other exchanges? In short, because an exchange owes you the cash, and Hyperliquid does not.

The revenue is real. The burn is genuine. The scale of the buyback exceeds anything else in the sector. What the multiple of a listed exchange capitalizes, however, is a legal entitlement that this instrument does not carry. When the multiple is applied to a circulating supply that represents 23.3% of total tokens, against a fee stream that has fallen 66% from its August 2025 peak, the discount to CME that animated the research is a snapshot of a low point in a volatile cycle, not a durable observation about relative value (CF Benchmarks; CoinGecko; Token Terminal).

The closest verification event in the near term is a governance vote. The AQAv2 structure, in which approximately 90% of USDC reserve yield from the platform's roughly $6 billion reserve base flows into the Assistance Fund, was approved by 19 of 26 validators in June 2026 (Bankless; CoinShares). The fee distribution cycle begins eight days after each 30-day period, making the first full closing around 3 October 2026 (Bankless). AQAv2 is significant not only because the estimated $140 million to $160 million in additional annual contributions is material (CoinShares), but because its first closure occurs during a period when spot trading fees and perpetual trading fees are at their lowest monthly readings in over a year.

What to watch now is what happens to the governance variables when the protocol is not at peak: whether the core contributor community votes to redirect any portion of the USDC yield to operational purposes rather than buybacks, whether the validator set maintains the current policy under the regulatory attention that the CME and ICE intervention has invited, and whether the pattern of buyback intensity holds when monthly trading volume is at the low end of the range observed over the past year (crypto.news; DeFiLlama).

The protocol has demonstrated, over thirteen months of live data, that it can generate fee revenue at scale and return it to token holders with near-total consistency. What it has not demonstrated, because the opportunity has not yet arisen, is that it will maintain that return when doing so imposes a cost. That distinction, between capacity and commitment, is where the exchange multiple breaks down as a valuation tool.



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