

DIGITAL ASSETS | PERPETUAL FUTURES INFRASTRUCTURE | UPDATE

Hyperliquid (HYPE): October Update

Revenue since the May report, HIP-3, the Kraken deployment, and a re-rating to HOLD

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Rating	12-mo target (weighted)	5-yr target (weighted)	HYPE (27 Oct)	12-mo upside
HOLD	\$93.36 (base \$68.26)	\$142.84	\$80.21	+16.4%

Market	Revenue	Supply	Valuation
FDV (diluted) \$76.2bn	FY2025A holder revenue \$818m	Diluted supply 950.5m	FDV / run-rate revenue 82.8x
Circulating mcap \$24.2bn	FY2026E holder revenue \$685m	Circulating 302.0m	Cost of equity 11.22%
Native perp OI \$11.4bn	Last 30 days \$64.2m	Assistance Fund 48.3m HYPE	Base value \$61.38
HIP-3 OI \$4.09bn	USDC reserve income ~\$140m/yr	Staked 441.6m	Weighted value \$83.94
BTC \$80,631	Run-rate incl. USDC \$921m	Unlock ceiling to Nov 27 129m	Rating flips to BUY below \$78.44

Thesis. I am moving HYPE to HOLD from BUY. My 12-month probability-weighted value is \$93.36, 16% above the \$80.21 spot, with a base case of \$68.26 and a five-year weighted value of \$142.84. HYPE is up 67% since I rated it a BUY at \$48.12 in May, but revenue went the other way. Holder revenue is on track for about \$685m this year, 16% below 2025 and about 30% of the \$2.36bn the May model forecast. At \$80 the market pays 83 times run-rate holder revenue, so it is already paying for several years of the growth I expect.

My base case has core revenue growing about 50% next year and slowing to 4% by 2036, which takes it to roughly ten times this year's level. I think that path is achievable and could prove conservative. HIP-3 has built \$4.1bn of open interest in single stocks, commodities and indices in about a year, and Kraken's parent Payward intends to become the first CFTC-regulated HIP-3 deployer, which would bring US customers onto the venue. On that path the base case is still worth \$61 per token after counting every future token. The weighted value clears spot because the bull and transformative cases carry 60% of it. The rating moves to BUY below \$78.44.

Change log. May report (19 May 2026): BUY; 12-month FDV range \$85–105; five-year base \$260–440; HYPE \$48.12. **This update (27 Oct 2026):** HOLD; 12-month weighted \$93.36, base \$68.26; five-year weighted \$142.84; HYPE \$80.21. The price reached the May range while FY2026 revenue tracked about 30% of the May forecast. The May report's stated weighted values (\$99 for 12 months, \$300 for five years) did not match its own scenario table (\$102 and \$338); this update supersedes both.

1. What Changed Since May

Item	May report	Now (27 Oct)	Read
FY2026 holder revenue	\$2,359m (forecast)	\$685m (estimate)	29% of forecast
Native perp daily volume	\$15bn (FY26 assumption)	\$4.0bn (24h, 27 Oct)	Volume assumption far too high
HIP-3 daily volume	\$5.0bn (FY26 assumption)	\$2.7bn (24h, 27 Oct)	Growing, but below plan
USDC reserve income	\$150m (FY26 assumption)	~\$140m annualized	In line
HYPE price	\$48.12	\$80.21	+67%
Beta vs BTC	1.29 (full history)	1.13 (blend of 0.99 and 1.27)	Lower discount rate
10-year Treasury	4.4%	5.0%	Higher discount rate
DCF value per token	\$90.88	\$61.38 base, \$83.94 weighted	Lower on revenue

Exhibit 1: May report against today. Daily volumes are single-day snapshots from the Hyperliquid API and are directional only. Source: May 2026 model, DefiLlama, Hyperliquid API, FRED.

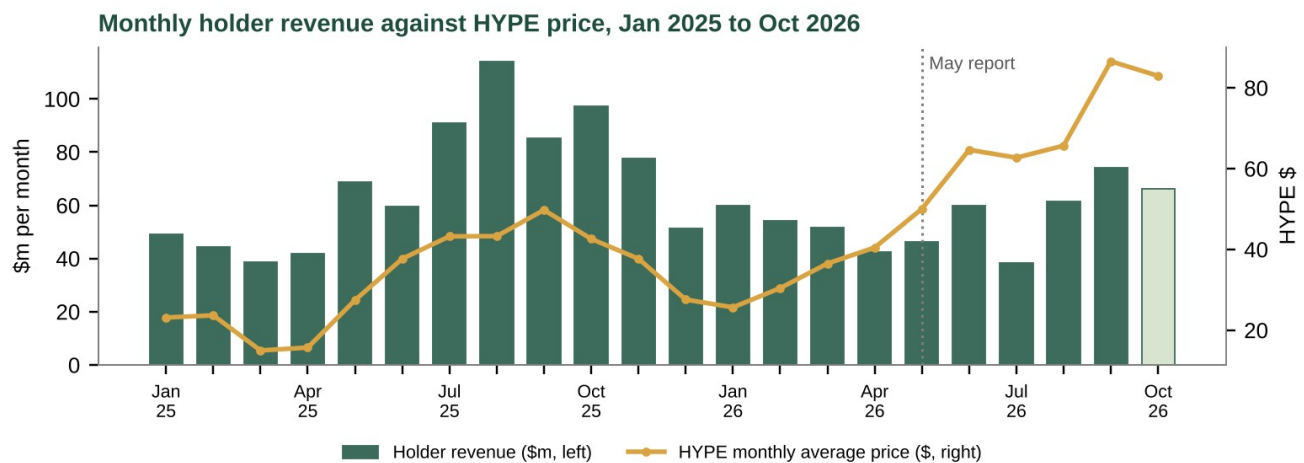


Exhibit 2: Monthly holder revenue (Assistance Fund inflows) against HYPE's monthly average price. October 2026 is scaled from 26 days. Source: DefiLlama, Hyperliquid daily candles.

Holder revenue peaked at \$114m in August 2025, fell to \$51m by December, and has run between \$38m and \$74m a month since March. The quarterly series bottomed at \$149m in the second quarter and rose 17% to \$174m in the third, with September at \$74m, the best month since November 2025. HYPE went from a \$26 monthly average in January to \$87 in September while revenue stayed flat.

Most of the gap to the May model is volume. It assumed \$15bn a day of native perp volume for FY2026 against roughly \$4bn on recent days. More of the growth that did happen came through HIP-3, where builders keep half the fees, so each dollar of volume that moved from core crypto perps to HIP-3 earned the protocol about half as much. Over the same months HIP-3 went from a handful of markets to most of the world's major equity indices, commodities and large-cap stocks.

The May report put the BTC trough in the third quarter of 2026, nine to twelve months after the October 2025 peak near \$126,000. BTC printed its 2026 low of \$58,603 on 30 June and is at \$80,631 today, consistent with the September update to my BTC positioning report. HYPE's beta to BTC has fallen to 0.99 over the last year from 1.29 over its full history, which is part of why the token has held up better than the revenue.

2. The Business Today

Hyperliquid is a layer-1 chain built around an on-chain order book (HyperCore) with an EVM environment (HyperEVM) alongside it. A small team at Hyperliquid Labs runs it with no venture allocation. The protocol earns trading fees on native perps and spot, and a share of fees on HIP-3 markets that third parties deploy. Nearly all of that revenue flows to the Assistance Fund, which buys HYPE on the open market. The fund holds 48.3m HYPE (\$3.9bn), and bought about

\$64m in the last 30 days. Since August the protocol also receives 90% of the net yield on USDC reserves held on the chain under the AQA v2 framework with Coinbase and Circle. The first payment was \$14.58m for 26 August to 3 October, which annualizes to about \$140m. The protocol has no debt.

Three US spot ETFs (Bitwise BHYP, 21Shares THYP and Grayscale HYPG) hold about \$390m after \$310m of net inflows, though they lost about \$30m in the five sessions to 23 October. Hyperliquid Strategies (PURR) holds 38.8m HYPE. Ripple Prime now offers swaps that reference Trade.xyz perps on Hyperliquid, and Virtu is using them. President Trump named Hyperliquid at a White House meeting on 19 August, pointing to CFTC Chairman Michael Selig's work on bringing the platform onshore. US users are still restricted, and no compliance framework has been published.

HIP-3

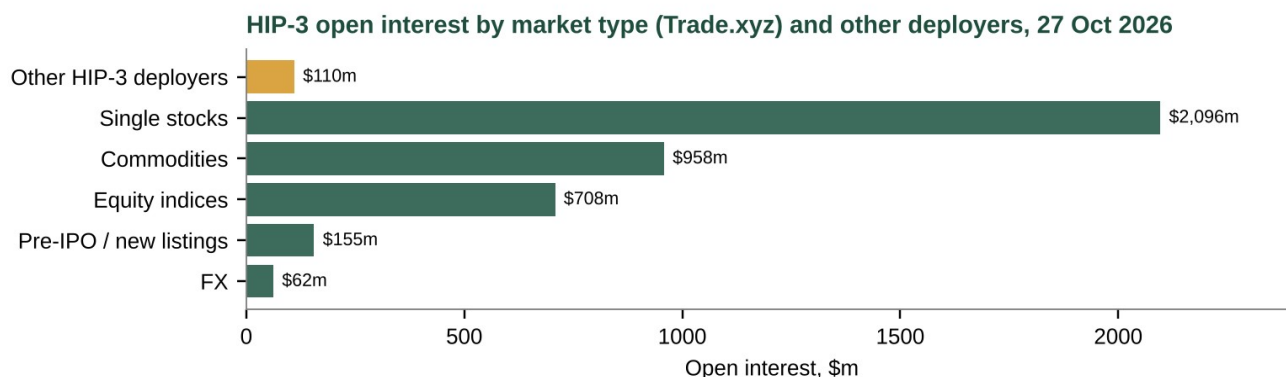


Exhibit 3: HIP-3 open interest by market type. Trade.xyz (the xyz deployer) holds 97% of HIP-3 open interest. Market-type buckets are the author's classification. Source: Hyperliquid API, 27 October 2026.

HIP-3 open interest is \$4.09bn against \$11.4bn on native perps, and it traded \$2.7bn over the last 24 hours against \$4.0bn native. Trade.xyz lists 139 markets and holds 97% of the open interest. Its largest single positions are the S&P 500 (\$414m), gold (\$329m), SK Hynix (\$318m), its Nasdaq-100 analogue (\$289m) and WTI crude (\$226m). Single stocks are the largest bucket at \$2.1bn. Nine other deployers hold \$110m between them. If Trade.xyz stumbled, most of HIP-3 would go with it.

3. Kraken and Payward

On 26 October Hyperliquid said that Payward, Kraken's parent, intends to become the first CFTC-regulated deployer of HIP-3 markets. Bitnomial, a CFTC-regulated designated contract market and clearing house that Payward bought in May, would list, clear and settle the contracts. NinjaTrader Clearing, Payward's registered futures commission merchant, would carry customer accounts. Hyperliquid would provide the order book and execution. A new permissioning option (HIP-3*) lets a deployer restrict its markets to allowlisted addresses, so only onboarded US customers could trade. Payward reports 6.6m funded accounts.

Before any of it goes live, the CFTC has to approve the deployment, the permissioning feature has to reach mainnet (it is on testnet), and Payward has to set terms. No launch date, first contracts or fee schedule has been disclosed. I model it as its own revenue line: live in the second half of 2027 with 70% probability in the base case, ramping to \$3bn of US daily volume by 2030, at a 2.5bp all-in fee with the protocol keeping half.

Mature US ADV / fee rate	1.5bp	2.5bp	3.5bp	5.0bp
\$1bn	\$0.56	\$0.93	\$1.31	\$1.87
\$2bn	\$1.12	\$1.87	\$2.62	\$3.74
\$3bn	\$1.68	\$2.80	\$3.93	\$5.61
\$5bn	\$2.80	\$4.67	\$6.54	\$9.35
\$8bn	\$4.49	\$7.48	\$10.47	\$14.96

Exhibit 4: Value per HYPE added by the Kraken line if it launches, by mature US daily volume and fee rate. The base case is the bold cell, weighted 70% for launch. Source: author model.

On direct revenue the deal is worth about \$2.80 per token if it launches at base settings, or about \$2 after weighting for launch risk. Against an \$80 token that is small, and I think the precedent is worth more than the fees. A US-regulated exchange group choosing Hyperliquid's order book for its own perps answers part of the question the May report listed as the largest regulatory risk, which is whether US market structure would treat the venue as something to route through or something to fight. If other regulated firms follow, that flow shows up in the core growth line, which is where most of the value in this report sits. I would expect the announcement to lift revenue once the markets are live, but I can't put it into 2026 numbers on what has been disclosed.

4. Supply

Item	HYPE (m)	Note
Total supply	998.8	1bn cap less burns
Assistance Fund (treated as retired)	48.3	Bought with protocol revenue
Diluted supply used for valuation	950.5	Counts every future emission and unvested token
Circulating (Hyperliquid definition)	302.0	CoinGecko reports 222m on a narrower definition
Core contributor balance (non-circulating)	238.1	Vesting 9.92m a month through Nov 2027
Future emissions	410.4	Community and staking rewards
Staked	441.6	35 validators; ~2.2% net yield

Exhibit 5: Supply. Source: Hyperliquid API (tokenDetails, validatorSummaries), 27 October 2026.

Thirteen contributor tranches remain, for a ceiling of 129m HYPE, about 14% of diluted supply. Claims ran at roughly 7% of the ceiling through April. In October, 3.75m HYPE from the tranche went to one institutional buyer over the counter for \$337m. At spot, base-case buybacks in 2027 retire about 15m HYPE against an unlock ceiling of about 119m a year, so if contributors start claiming in full, the buyback does not offset it until vesting ends in November 2027. I value the token on fully diluted supply, so the unlocks are a cost inside the value per token. They add a flow risk, since supply can reach the market faster than the buyback absorbs it.

5. Valuation

The primary method is a ten-year DCF on holder cash flow, which is Assistance Fund buybacks plus USDC reserve income plus the Kraken line, less the cost of running Labs and the Foundation. Buybacks are the closest thing to free cash flow returned to holders, and the protocol has real revenue, so a DCF fits. Core revenue grows at a rate that starts at each scenario's level and slows in a straight line to terminal growth by 2036. Value is divided by diluted supply. Trading comps are the cross-check.

Discount rate	Value	Basis
Risk-free rate	5.00%	10-year Treasury, 23 Oct
Beta vs BTC, last 365 days	0.99	Hyperliquid daily candles
Beta vs BTC, full history	1.27	Since November 2024
Beta used (50/50 blend)	1.13	The one-year beta is not yet stable enough to use alone
Equity risk premium	5.50%	Unchanged from May
Cost of equity	11.22%	No debt
Terminal growth	4.0%	2.0% in the deep bear case

Exhibit 6: Discount rate. Source: FRED, Hyperliquid API, author model.

Base case (\$m)	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E
Core revenue	685	1,027	1,488	2,080	2,801	3,629
USDC reserve income	49	175	214	257	302	346
Kraken line (weighted)	-	16	48	80	96	124
Labs and Foundation costs	(90)	(104)	(119)	(137)	(157)	(181)
Holder cash flow	644	1,115	1,631	2,280	3,041	3,918
Core growth	(16.3%)	50.0%	44.9%	39.8%	34.7%	29.6%

Exhibit 7: Base-case forecast. FY2026E is year-to-date actual plus the 30-day pace; USDC income starts 26 August. Base-case equity value \$58.3bn, of which 63% is terminal value. Source: author model.

Start growth / Ke	9.0%	10.0%	11.22%	12.0%	13.0%	14.0%
30%	\$47.96	\$39.28	\$32.01	\$28.51	\$24.95	\$22.12
40%	\$67.26	\$54.81	\$44.39	\$39.39	\$34.31	\$30.28
50%	\$93.90	\$76.18	\$61.38	\$54.29	\$47.08	\$41.38
60%	\$130.14	\$105.20	\$84.37	\$74.41	\$64.30	\$56.31
70%	\$178.84	\$144.10	\$115.13	\$101.28	\$87.25	\$76.16
80%	\$243.50	\$195.67	\$155.81	\$136.78	\$117.51	\$102.30

Exhibit 8: Base-case value per token by starting growth rate and cost of equity. Red: more than 20% below spot. Amber: below spot. Sage: at or above spot. Source: author model.

At today's cost of equity the base case needs a starting growth rate of about 58% to be worth the spot price. It is just as sensitive to the discount rate: at 10% the base case is worth \$76, and at 9% it is worth \$94, which is why the fall in HYPE's one-year beta matters. If that beta holds near 1.0 for another year, the cost of equity drops to about 10.5% and the base case moves to about \$71.

Company	Mkt cap (\$bn)	EV (\$bn)	Revenue (\$bn)	EV / revenue	Fwd P/E
CME Group	106.0	111.8	6.96	16.1x	22.4x
Intercontinental Exchange	88.3	109.4	10.56	10.4x	17.7x
Cboe Global Markets	34.0	34.2	5.06	6.8x	21.4x
Nasdaq	58.2	66.9	5.78	11.6x	21.9x
Coinbase	42.3	40.0	6.04	6.6x	52.1x
Robinhood	86.7	82.6	4.93	16.7x	28.2x
Interactive Brokers	37.3	37.3	7.06	5.3x	24.8x
Median				10.4x	22.4x
Hyperliquid (FDV / holder run-rate)	76.2		0.92	82.8x	
Aster (FDV / gross fees)	5.5		0.05	111.2x	
Lighter (FDV / gross fees)	3.0		0.04	68.5x	

Exhibit 9: Comps. Exchange and broker figures are trailing twelve months; IBKR shown on market cap. On-chain venues use annualized 30-day fees. Source: yfinance, CoinGecko, DefiLlama, 27 October 2026.

At the exchange median of 10.4 times revenue HYPE would be worth about \$10. It trades at eight times that multiple, so the market is paying today for roughly the revenue the base case reaches in the early 2030s. On-chain venues all trade on growth multiples. Hyperliquid's 83 times holder revenue sits between Lighter and Aster even though it earns about ten times their combined fees.

6. Twelve-Month Targets

Scenario	Weight	Value today	12-mo value	vs spot	FY27 cash flow (\$m)	FY36 / FY26 core
Deep bear	5%	\$6.37	\$7.08	(91.2%)	825	1.1x
Bear	15%	\$19.35	\$21.52	(73.2%)	978	3.1x
Base (author)	50%	\$61.38	\$68.26	(14.9%)	1,218	10.2x
Bull	22%	\$120.16	\$133.63	+66.6%	1,386	20.6x
Transformative	8%	\$295.01	\$328.10	+309.0%	1,638	53.3x
Probability-weighted	100%	\$83.94	\$93.36	+16.4%		

Exhibit 10: 12-month scenarios. The 12-month value assumes the price converges to scenario value and compounds at the cost of equity, since holders receive cash through buybacks. Cash flow is before Labs and Foundation costs. Source: author model.

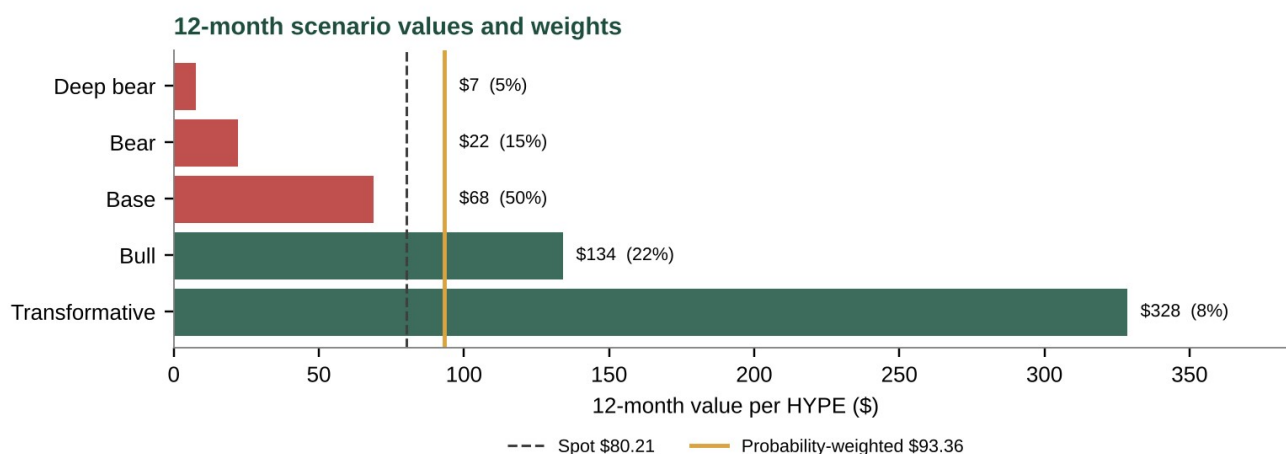


Exhibit 11: 12-month scenario values against spot and the probability-weighted value.

The deep bear case has revenue stalling under an enforcement action or a fee war with centralized exchanges, and Kraken never launching. The bear case has crypto perps flat and HIP-3 growing slowly. The base case is my path. The bull case has equity and RWA perps scaling and regulated on-ramps such as Kraken and Ripple Prime bringing institutional flow. The transformative case has Hyperliquid becoming a primary venue for round-the-clock equity and macro derivatives. The weights reflect my conviction that the base case or better is likely, at 80% combined.

The expected 12-month total return is 18.6% including the 2.2% staking yield, 7.4 points above the 11.22% cost of equity. The house rule rates a name BUY when the excess is more than 10 points and SELL when it is more than 10 points negative, which makes this a HOLD. The rating moves to BUY below \$78.44 and to SELL above \$94.29. Seventy percent of the weight sits in scenarios worth less than spot in 12 months, and the weighted median is the base case at \$68.26. The mean is above spot because the bull and transformative cases are large. A reader who puts less weight on those tails should read this as a HOLD leaning lower.

7. Five-Year View

BTC peaked near \$126,000 in October 2025 and bottomed at \$58,603 on 30 June 2026. The next halving falls around April 2028, and prior cycles have peaked 12 to 18 months after a halving. In my equities report I put the top of the current equity cycle between late 2028 and 2030. A five-year horizon to October 2031 therefore probably includes a full drawdown, and the five-year values below assume the price sits at scenario value after that drawdown.

Scenario	Weight	Value today	5-yr value (Oct 2031)	5-yr CAGR	Core revenue FY31 (\$m)
Deep bear	5%	\$6.37	\$10.83	(33.0%)	700
Bear	15%	\$19.35	\$32.92	(16.3%)	1,464
Base (author)	50%	\$61.38	\$104.44	5.4%	3,629
Bull	22%	\$120.16	\$204.45	20.6%	6,123
Transformative	8%	\$295.01	\$501.98	44.3%	12,244
Probability-weighted	100%	\$83.94	\$142.84	12.2%	

Exhibit 12: Five-year scenarios. CAGR on price from \$80.21; staking adds about 2.2% a year. Source: author model.

The weighted five-year return is 12.2% a year on price, about 14% with staking, roughly the cost of equity plus a small margin. The base case returns 5.4% a year from here because the price already reflects much of its growth. That changes quickly with entry price: at \$60 the base case returns about 11.7% a year over five years.

8. Milestones

The base case implies the quarterly path below for core holder revenue, which is what DefiLlama reports and excludes USDC income and the Kraken line. Two consecutive quarters 15% or more below the path would put the base case in doubt.

Quarter	Base path (\$m)	Actual (\$m)	Note
Q3 2026		174	Reference point
Q4 2026E	197		30-day pace held for the quarter
Q1 2027E	218		10.9% growth a quarter
Q2 2027E	242		
Q3 2027E	269		Kraken assumed live from here
Q4 2027E	298		FY2027E core \$1,027m; total cash flow \$1,218m

Exhibit 13: Base-case quarterly path for core holder revenue. Source: author model, DefiLlama.

Outside revenue I am watching five things: CFTC approval of the Payward and Bitnomial deployment, the permissioning upgrade reaching mainnet, the first Kraken-listed contracts and their fees, HIP-3 open interest growing outside Trade.xyz, and the end of contributor vesting in November 2027.

9. Key Risks

Risk	Severity	Probability	Assessment and mitigant
Revenue keeps lagging the price	High	Medium	Holder revenue is down 16% this year while the price is up. Two missed quarters against the path in Exhibit 13 would move the base case toward the bear case.
HIP-3 concentration in Trade.xyz	High	Medium	One operator holds 97% of HIP-3 open interest. An outage, legal problem or departure would take most of HIP-3 with it. Kraken would be the first large deployer with a separate balance sheet.
US regulation and incumbent lobbying	High	Medium	CME and ICE pressed the CFTC in May on manipulation and sanctions concerns. Kraken needs CFTC approval. A negative ruling would delay the US leg and hit the multiple.
Contributor unlocks	Medium	High	129m HYPE can unlock through November 2027, more than eight times the 2027 base-case buyback at spot. October's tranche sold over the counter, which kept it off the order book.
Competition	Medium	Medium	Aster and Lighter generate about \$50m and \$44m of annualized fees, a small fraction of Hyperliquid's. Centralized exchanges listing equity perps for non-US customers are the larger threat.
Lower rates reduce USDC income	Low	Medium	About \$140m a year depends on Treasury yields. A 100bp cut would take roughly a third of it.
Discretionary intervention / HLP losses	High	Low	The March 2025 JELLY episode showed validators will intervene. A repeat at HIP-3 scale would hurt trust with the institutions now arriving.
BTC cycle	Medium	Medium	A deeper or later crypto drawdown than my BTC report expects would weigh on volumes and the multiple together. HYPE's beta to BTC is about 1.0 over the last year.

Exhibit 14: Key risks, ordered by near-term bearing on the view.

10. Conclusion

Rating: HOLD. 12-month weighted target \$93.36 (+16.4%), base case \$68.26. Five-year weighted \$142.84 (12.2% a year).

I still think Hyperliquid is the best-positioned venue for on-chain derivatives, and the last five months have strengthened that view. HIP-3 has moved equity and commodity trading onto the chain, the ETFs and PURR have given US investors access, and a regulated US exchange group now wants to deploy on it. Fee revenue has not followed. At \$80 a holder is paying today for growth that has not yet shown up in the revenue line.

My base case is a growth path I think is likely, and it is still worth less than spot. The weighted value is above spot because I put 30% on outcomes where Hyperliquid becomes a primary venue for global derivatives. I am comfortable

owning that, but at this price the rating is HOLD. It moves to BUY below \$78.44, or if the revenue path in Exhibit 13 starts running ahead of plan.

Revenue staying near \$170m a quarter through 2027 would put the base case in doubt and point to the bear case. A Kraken launch with meaningful fees, or core revenue clearing \$270m a quarter by the middle of 2027, would point to the bull case. I will update after the fourth-quarter revenue data and on any CFTC decision on Payward.

Sources and Method

Primary data: Hyperliquid info API (token supply, Assistance Fund and contributor balances, validator stakes, native and HIP-3 open interest and volume, daily candles for HYPE spot and the BTC perp); DefiLlama fees API (daily fees and holders revenue for Hyperliquid, Trade.xyz, Aster and Lighter); CoinGecko (Aster and Lighter valuations); FRED (DGS10); yfinance (exchange and broker comps). The author modeled the data in Python and Excel. Beta is from daily log returns. Market-type buckets for HIP-3 are the author's classification.

Secondary sources: The Block and FinanceFeeds, 26–27 Oct 2026 (Payward HIP-3); 21Shares H1 2026 review (fee mix, builder share); Crypto Briefing, 3 Oct 2026 (AQA v2 payment) and 27 Oct 2026 (Trump remarks); CoinCentral, 25 Oct 2026 (ETF flows, Ripple Prime, Assistance Fund purchases); ad-hoc-news / Unlocks.app (October unlock sale); Hyperliquid Strategies 10-K (staking rate). Prior report: Hyperliquid (HYPE), 19 May 2026.

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