Circle Internet Group, Inc. NYSE: CRCL

Digital Dollar Infrastructure · USDC Stablecoin Issuer · Fintech / Digital Assets

RATING	TARGET
BUY	$87.35
12-MONTH	+47% upside vs $62.50

Market Cap	$14.5B	**52-Wk Range**	$49.90 – $298.99
Shares (dil.)	232mm	**IPO Date**	Jun 5, 2025
FY25E Revenue	$2,795mm	**FY25E Adj. EBITDA**	~$628mm
WACC	11.43%	**Terminal Growth Rate**	3.0%
Beta (adjusted)	1.35	**Net Cash (Est.)**	~$1.5B

1. INVESTMENT THESIS

Circle is the only publicly traded U.S.-domiciled issuer of a fully reserved dollar stablecoin. The GENIUS Act, signed into law in June 2025, established a federal framework for payment stablecoins and formalized reserve and compliance standards Circle had already been meeting. For established operators, the law imposes no new cost. For prospective entrants, it requires capital commitment, legal infrastructure, and ongoing regulatory engagement that raises the barrier to competition substantially.

Circle holds short-duration Treasury securities and money market instruments backing every dollar of USDC in circulation, and earns the spread between prevailing short-term rates and the distribution costs it pays to ecosystem partners, primarily Coinbase. USDC supply ended Q3 2025 at $73.7 billion, up 108% year-over-year. Management has publicly guided to a 40% multi-year CAGR. Our model applies 30%, a 10-point discount, and still reaches a supply figure near $335 billion by 2030. At that scale, reserve income is substantial even in a lower-rate environment.

The stock has fallen roughly 79% from its June 2025 peak of $299 to the current $62.50. Three concerns drove the selloff: rate sensitivity, Coinbase revenue-sharing concentration, and post-IPO multiple compression. All three are legitimate. None individually justifies a 79% drawdown for a company growing USDC supply at triple-digit rates with expanding margins. Our DCF using an 11.43% WACC and 3.0% terminal growth produces a base-case value of $92.

CORE THESIS: FOUR PILLARS

(1) Regulatory moat. GENIUS Act compliance is a sunk cost for Circle. For new entrants, it is a capital and legal commitment with no guarantee of market share.

(2) Supply growth. USDC grew 108% YoY in Q3 2025 to $73.7B. Market share reached 29%, up 643 bps year-over-year.

(3) Operating leverage. Adj. EBITDA grew 78% on 66% revenue growth in Q3 2025. Incremental reserve income accrues at high marginal rates above the fixed cost base.

(4) Platform optionality. CPN, Arc, and USYC are assigned zero value in our model. Any monetization is upside not captured in the base case.

2. BUSINESS OVERVIEW & FINANCIAL PERFORMANCE

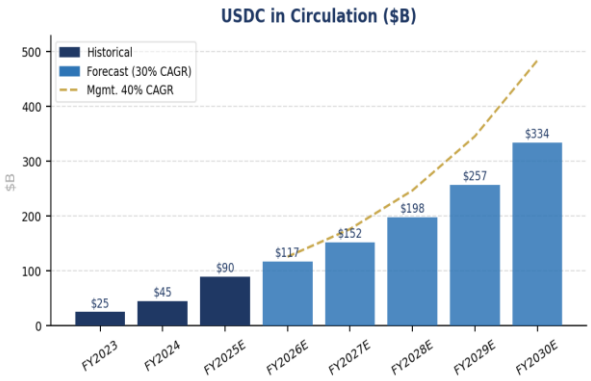
How Circle Makes Money

Reserve income is roughly 96% of total revenue, earned on Treasury and money market assets backing USDC in circulation. It scales with supply and short-term rates, not with payment volumes or user counts. The remaining 4% covers subscription and service fees, transaction revenue, and early-stage platform fees from CPN, USYC, and Arc.

The operative profitability metric is Revenue Less Distribution Costs (RLDC). Circle shares a large share of reserve income with distribution partners under contractual, volume-linked arrangements, so gross revenue overstates retained economics. In Q3 2025, distribution costs consumed 60.6% of gross revenue, leaving RLDC of $292 million at a 39.5% margin. Coinbase holds approximately 22% of circulating USDC. As that share grows, Circle's retained margin compresses. This is the most important single variable in the model.

Q3 2025 Results

Total revenue of $740 million grew 66% year-over-year. USDC supply reached $73.7 billion at period end, up 108% YoY. Adjusted EBITDA of $166 million grew 78%, with Adj. EBITDA margin on RLDC expanding to 56.8%. Reported net income of $214 million included a $61 million tax benefit and a $48 million mark-to-market gain on convertible debt; underlying operating performance excludes both. Management raised FY 2025 Other Revenue guidance to $90-100 million and affirmed RLDC margin guidance at approximately 38%.



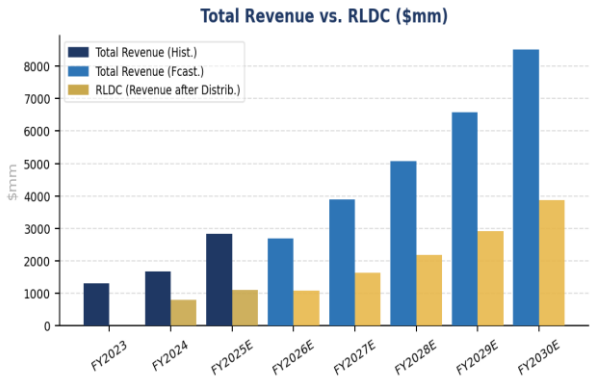


Fig. 1 (left): USDC in Circulation ($B), historical vs. 30% CAGR base case vs. mgmt. 40% guidance. Fig. 2 (right): Total Revenue vs. RLDC ($mm). Gap reflects distribution costs, predominantly the Coinbase revenue-sharing arrangement.

3. FIVE-YEAR FORECAST

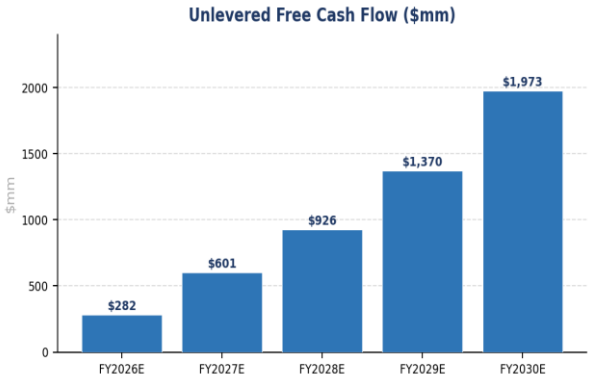
Three drivers underpin the model. USDC supply grows at 30% annually, a 10-point discount to management's 40% guidance. The reserve return rate declines from 3.8% in 2026 to 3.6% from 2027 onward, reflecting moderate Fed cuts. The distribution cost ratio improves from 60.6% to 54.6% as Circle diversifies its partner mix through the forecast period. FY 2025E figures are derived from annualized quarterly results plus management guidance. No value is attributed to CPN, Arc, or USYC.

Metric ($mm unless noted)	FY23A	FY24A	FY25E	FY26E	FY27E	FY28-29E	FY30E
USDC Supply ($B, EOP)	$25.0	$45.0	$90.0	$117.0	$152.1	—	$334.2
Total Revenue	$1,306	$1,668	$2,795	$4,061	$5,017	—	$10,979
YoY Growth	—	+27.7%	+45.2%	n/m	+23.4%	—	n/m
RLDC	—	$792	$1,101	$1,649	$2,097	—	$4,985
RLDC Margin	—	47.5%	39.4%	40.6%	41.8%	—	45.4%
Adj. EBITDA	$209	$285	~$628	$1,006	$1,342	—	$3,489
Margin (% of RLDC)	—	36.0%	57.0%	61.0%	64.0%	—	70.0%

Metric ($mm unless noted)	FY23A	FY24A	FY25E	FY26E	FY27E	FY28-29E	FY30E
Unlevered FCF	—	$337	n/m	$701	$969	—	$2,850

FY25E derived from annualized quarterly results plus management guidance. FY26E reflects USDC supply bridged from FY25 EOP base against updated reserve rate assumptions. n/m = not meaningful.

Adj. OpEx is modeled at $503 million in FY 2025, growing 20% in 2026 and 12% per year thereafter, against 30% USDC supply CAGR. Adj. EBITDA margin on RLDC expands from 57% in 2025 to 70% by 2030. Above the fixed cost base, incremental reserve income flows through at high marginal rates.



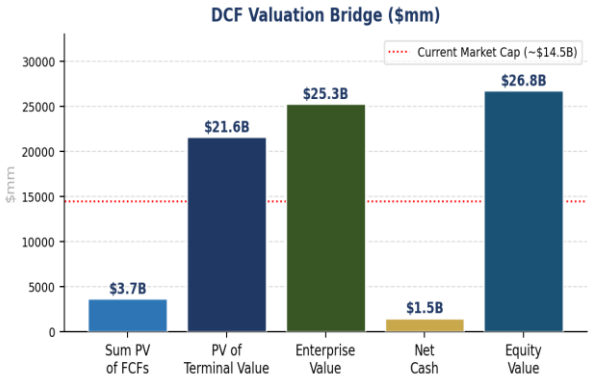


Fig. 3 (left): Unlevered FCF ($mm), growing from $701mm in FY2026 to $2,850mm in FY2030 as supply compounds and OpEx leverage builds. Fig. 4 (right): DCF valuation bridge. Terminal value is 78.9% of EV. Red line marks current market cap (~$14.5B).

4. VALUATION

Discounted Cash Flow

WACC is 11.43%, derived from CAPM with a 4.4% risk-free rate (10-year UST, February 2026), a 5.5% equity risk premium, and a relevered peer beta of 1.35. Cost of equity is 11.83%. After-tax cost of debt is 3.95%, weighted at a 95/5 equity/debt structure.

On beta: the reported 2-year beta of 0.98 was set aside. Circle went public in June 2025, so the trailing 2-year window contains eight months of actual trading history. That window spans a $31 IPO, a speculative run to $299, and a 79% drawdown. A single-regime beta from that path is mechanically unstable and not representative of steady-state systematic risk. For recently-IPO'd companies, the standard approach is a relevered comparable-company beta. We use five public comps: Coinbase (1.55), Block (1.65), Robinhood (1.80), Nu Holdings (1.20), and PayPal (1.10), giving a peer median of 1.55. We apply 1.35, a discount to the median, because Circle does not operate a trading platform, does not carry a Bitcoin balance sheet, and has no retail brokerage exposure. Those three factors account for most of the spread between COIN, SQ, HOOD and the rest of the peer group. At 1.35, the beta is conservative relative to the peer group and consistent with Circle's business profile, which resembles a money market fund manager more than a crypto exchange.

Terminal growth is set at 3.0%, below the standard 3.5% nominal GDP proxy. Circle's revenue is 96% a function of short-term interest rates and USDC adoption, not broad economic activity. Using 3.5% in perpetuity embeds an assumption that USDC scales into a permanent global reserve asset, which belongs in a bull case, not a base case. At 3.0%, terminal value is 78.9% of enterprise value, versus 84.5% at 3.5%. The lower figure reduces the sensitivity of the output to terminal assumptions, which is the right direction for a model with this degree of single-variable concentration.

Five years of projected unlevered FCF are discounted to present value and combined with a Gordon Growth terminal value. Net cash of $1.5 billion is added to bridge enterprise to equity value.

DCF Component	Value ($mm)	% of EV
Sum of PV of FCFs (FY2026–2030)	$5,407	21.1%
PV of Terminal Value	$20,266	78.9%

DCF Component	Value ($mm)	% of EV
Enterprise Value	**$25,673**	**100.0%**
Add: Net Cash	$1,500	—
Equity Value	**$27,173**	**—**
Diluted Shares Outstanding	232mm	—
Implied Price per Share	**$117.13**	**—**
Current Market Price (Feb 19, 2026)	$62.50	—
Upside to Fair Value	**+47%**	**—**

Sensitivity Analysis

The table below shows implied price per share across WACC and terminal growth combinations. The model supports a price above current levels across most of the range. Only at WACC above 12.5% with terminal growth below 2.0% does the implied value approach $62.50.

WACC / g →	1.5%	2.0%	2.5%	3.0% (base)	3.5%
9.0%	$173	$156	$141	$128	$117
10.0%	$141	$128	$117	$107	$99
11.4% (base)	$118	$108	$99	$92	$85
12.5%	$100	$92	$85	$79	$73
14.0%	$82	$76	$70	$65	$61

Green: above $100. Yellow: $65–$100. Red: below $65. Base case: 11.4% WACC / 3.0% g = $92.

Comparable Companies

At $62.50, CRCL trades at approximately 5.1x FY 2025E revenue. Coinbase trades at 8.3x NTM revenue on 35% growth. Robinhood is at 6.6x on 58% growth. Applying the peer median of 5.5x NTM EV/Revenue to FY 2026E implies roughly $75-$80 per share, before any premium for growth rate or regulatory positioning. A 7.0x multiple, in line with top-quartile high-growth fintech, implies approximately $88 per share. The DCF base case of $92 sits above the comps range, reflecting the compounding effect of USDC supply growth at scale, which no direct peer replicates.

Circle carries no credit risk, no underwriting losses, and no chargeback exposure. Its economics are a function of monetary policy and USDC adoption. The business is structurally simpler and more predictable than Coinbase or Block. That distinction is not priced in at current levels.

5. KEY RISKS

Risk Factor	Description	Assessment
Interest Rate	100bps Fed cut → ~$280mm revenue impact at current supply. Sustained low rates could slow USDC growth and compress the reserve pool simultaneously. Model reflects 50-75 bps of cuts through 2026.	HIGH. Core earnings driver
Coinbase Concentration	Coinbase holds ~22% of circulating USDC. If that share grows faster than supply, distribution costs rise rather than compress. This is the most consequential structural risk to the margin expansion thesis.	HIGH. Margin structure risk
Competitive Entry	GENIUS Act creates a legal pathway for bank-issued stablecoins. JPMorgan or Wells Fargo distribution networks exceed Circle's; competitive entry is plausible on a two-to-three year horizon.	MEDIUM. Medium-term risk

Risk Factor	Description	Assessment
Yield-Bearing Substitution	USDC earns no yield. Tokenized MMFs (including Circle's own USYC) could cannibalize supply growth as institutional demand for yield-bearing dollar instruments rises.	MEDIUM. Partially self-hedged
Post-IPO Overhang	Lock-up expiry and retail washout largely cleared from the June 2025 collapse. Secondary supply into Q2 2026 warrants monitoring but acute phase appears resolved.	LOW. Mostly absorbed

Interest rate exposure is the primary near-term risk. Reserve income is earned at roughly 96 basis points below SOFR; a 100 basis point cut reduces annual revenue by approximately $280 million at current supply. Sustained low rates could also shift USDC holders toward yield-bearing instruments, slowing supply growth while simultaneously compressing reserve yield. The model assumes 50-75 basis points of Fed cuts through 2026.

Competitive entry is a longer-cycle risk, and one that is underpriced in most near-term analyses. The same regulatory clarity that entrenches Circle creates a legal pathway for JPMorgan, Wells Fargo, or a federally chartered bank consortium to issue compliant stablecoins. Those institutions have distribution networks Circle cannot replicate. Tether holds roughly 71% of fiat-backed stablecoin market share; pressure from incumbents and crypto-native issuers is a credible risk across the five-year horizon.

6. CONCLUSION

Circle is a capital-light, high-margin business in the fastest-growing segment of payments infrastructure. The regulatory environment is favorable. USDC supply is growing ahead of management's own long-term guidance. The stock is 79% off its high and trades at a discount to slower-growing fintech peers.

At $62.50, the market is pricing in permanent reserve yield compression, rising Coinbase distribution share, and zero monetization of the platform businesses. That is a defensible bear case. It is also an extreme one. Our model assumes none of the platform optionality and discounts management's USDC guidance by 25%, and still produces a base-case value of $92.

On a two-to-three year view, the setup is more compelling. Supply compounding at 30% annually with RLDC margins expanding from 39% to 45%, and OpEx growing at half the rate of revenue, produces a business generating over $2 billion in free cash flow by 2030. The current market cap of $14.5 billion prices in very little of that trajectory.

Rating: BUY (12-month) | Target: $92 | Current: $62.50 | **+47% Upside** | Strong Buy (Long-Term)