

Hyperliquid | HYPE Token

Decentralized Perpetuals Exchange | HyperCore L1 | HIP-3 TradFi Perps | HIP-4 Outcome Markets

<p>RATING</p> <h2>BUY</h2> <p>12-MO TARGET</p> <p>\$47 - \$58 FDV</p> <p>5-YR TARGET (BASE)</p> <p>\$100 - \$160 FDV</p> <p>CURRENT PRICE</p> <p>\$30.08</p> <p>EST. UPSIDE (BASE)</p> <p>+56% to +93% (12 mo)</p>	Token Price	FY2025 Buybacks	WACC	HIP-3 Peak Day Volume
	\$30.08	\$645M (46% of all crypto)	11.8%	\$5.2B (Feb 5, 2026)
	Circulating MC	Protocol Margin	Terminal Growth	HIP-3 Peak OI
	\$7.2B	~92%	4.0%	\$1.06B (Jan 2026)
	FDV	DEX Perps Market Share	Total Supply	Daily Active Users
	~\$30.1B	>70%	1B HYPE (hard cap)	200k+ (545k total)
FY2025A Revenue	ATH / ATL	Team Size	TGE Date	
\$844M	\$59.30 / \$3.81	~11 (zero VC)	Nov 29, 2024 at \$3.57	

Investment Thesis

Hyperliquid is the dominant decentralized perpetuals exchange with \$844M in FY2025 revenue, \$645M in buybacks (46% of all crypto buybacks industry-wide), and over 70% of DEX perp volume. It was built by an 11-person team with zero venture capital. The protocol runs at a ~92% margin and returns 97% of fees to token buybacks on-chain through an automated, non-discretionary mechanism.

HIP-3 (permissionless perps, October 2025) expanded the addressable market to commodities, equities, and FX. Silver perps hit \$4.09 billion in a single day. HIP-4 (collateralized outcome markets, February 2026) opens the structured products TAM. HYPE trades at \$30.08, 49% below its all-time high, at a P/S of 8.5x on circulating market cap, in line with Coinbase, with substantially higher margins, no VC overhang, and a buyback mechanism no comparable exchange can replicate.

Six pillars: (1) Revenue and buyback engine | (2) HIP-3 TradFi TAM | (3) HIP-4 structured products | (4) HyperBFT technical moat | (5) Deflationary tokenomics | (6) Institutional validation

1. Business Overview and Protocol Architecture

What Hyperliquid Does

Hyperliquid is a purpose-built Layer 1 blockchain for financial markets. HyperCore, its core exchange, runs a fully on-chain central limit order book capable of 100,000 orders per second with sub-second finality via HyperBFT, a consensus algorithm Jeff Yan designed from scratch. Every order, trade, liquidation, and fee disbursement is on-chain and publicly verifiable. HyperEVM, launched February 2025, adds an EVM-compatible smart contract layer on the same consensus engine, enabling DeFi applications that benefit from the exchange's existing capital and users.

Founder and Team

Jeff Yan studied mathematics and computer science at Harvard and won a gold medal at the 2013 International Physics Olympiad. He subsequently traded at Hudson River Trading before founding Chameleon Trading and then Hyperliquid, which was built entirely from trading profits. The core team is approximately 11 people as of early 2026. There is no venture capital allocation in the token structure. This matters because no institutional funds hold a contractual right to sell 20% to 40% of supply into the market.

Revenue Model and the Assistance Fund

Revenue has three sources: native perpetuals fees (approximately 0.035% blended rate on notional), HIP-3 deployer fee share (50% of all permissionless perp fees flow to the protocol), and HyperEVM ecosystem fees. Ninety-seven percent of trading fees flow into the Assistance Fund, which programmatically buys HYPE from the open market. The mechanism is automated and on-chain, not discretionary. At \$844M in FY2025 revenue, the fund bought \$645M in HYPE,

representing 46% of all crypto protocol buybacks across the entire industry. A separate governance vote permanently burned 37 million HYPE tokens, roughly \$1.1 billion at peak prices.

HIP-3 (October 2025) and HIP-4 (February 2026)

HIP-3 allows any third party to deploy a perpetual market for any asset by staking 500,000 HYPE as collateral. The deployer earns 50% of fees; the protocol earns the other 50%. Silver perps hit \$4.09 billion in a single day on February 5, 2026. HIP-3 volume represented 31% of total Hyperliquid venue volume within four months of launch. TradeXYZ controls approximately 90% of HIP-3 volume currently. The addressable market: global FX is \$7.5 trillion per day, COMEX metals derivatives exceed \$50 billion per day, and zero-days-to-expiry equity options exceed \$1.5 trillion per day. HIP-4, launched February 10, 2026, enables fully collateralized outcome contracts, the on-chain equivalent of binary options.

2. Financial Performance and Five-Year Forecast

FY2025 Results

Hyperliquid generated \$844 million in protocol revenue in FY2025. The Assistance Fund returned \$645 million of that via buybacks. Protocol earnings were approximately \$774 million at a ~92% margin. The annualized run rate as of February 2026 is \$1.1 billion to \$1.3 billion based on Artemis on-chain data. Cumulative venue volume reached \$2.7 trillion. The protocol ranked third in all of crypto by fees in 2025, behind only Tether and Circle.

Five-Year Forecast

Volume CAGRs of 30% for native perps and 60% for HIP-3 are applied through FY2030. Both are well below observed historical growth rates. Operating costs grow at 20% annually from a \$70 million base. Protocol earnings margins expand from 92% to 97% as the fixed cost base becomes immaterial relative to revenue. At FY2030E revenue of \$5.8 billion, annual buybacks of \$4.6 billion would exceed any conceivable remaining unlock schedule.

Metric (\$mm unless noted)	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Avg Daily Volume - Native Perp (\$B)	\$10.0	\$13.0	\$16.9	\$22.0	\$28.6	\$37.2
Avg Daily Volume - HIP-3 (\$B)	\$1.5	\$2.4	\$3.8	\$6.1	\$9.7	\$15.6
Native Perp Protocol Revenue	\$819	\$1,660	\$2,160	\$2,808	\$3,651	\$4,748
HIP-3 Protocol Revenue (50% share)	\$25	\$110	\$174	\$276	\$438	\$696
HyperEVM / DeFi Ecosystem Revenue	\$15	\$40	\$80	\$140	\$220	\$340
Total Protocol Revenue	\$859	\$1,810	\$2,414	\$3,224	\$4,309	\$5,784
Revenue Growth YoY	N/M	+111%	+33%	+34%	+34%	+34%
Operating Costs (Est.)	\$70	\$84	\$101	\$121	\$145	\$174
Protocol Earnings (Revenue minus OpEx)	\$789	\$1,726	\$2,313	\$3,103	\$4,164	\$5,610
Protocol Earnings Margin	~92%	~95%	~96%	~96%	~97%	~97%
HYPE Buybacks (97% of native perp rev.)	\$645	\$1,611	\$2,095	\$2,723	\$3,542	\$4,606

FY2025A revenue sourced from KuCoin 2025 Annual Report and corroborated by Artemis. FY2026E forward are model projections. Buybacks represent 97% of native perp revenue through the Assistance Fund mechanism.

3. Valuation

Discounted Cash Flow

WACC is derived from CAPM: 4.4% risk-free rate (10-year UST as of February 2026), plus a 1.35 beta against the broad crypto market, multiplied by a 5.5% equity risk premium. Cost of equity is 11.825%. The protocol carries no debt, so WACC equals the cost of equity. Terminal growth of 4.0% reflects the long-run growth potential of a dominant financial

infrastructure protocol at scale. Protocol earnings are used as the FCF analog given near-zero capital expenditure requirements. Five years of projected earnings are discounted to present value and combined with a Gordon Growth terminal value. Net cash and Assistance Fund treasury of \$1.5 billion is added. The 1 billion total token supply is used as the denominator, representing the fully diluted basis.

DCF Component	Value (\$mm)	% of EV
Sum of PV of FCFs (FY2026-FY2030)	\$7,441	14.8%
PV of Terminal Value	\$42,789	85.2%
Enterprise Value	\$50,230	100.0%
Add: Net Cash / Assistance Fund	\$1,500	N/A
Equity Value (FDV basis, 1B tokens)	\$51,730	N/A
Total Token Supply (mm)	1,000mm	N/A
Implied Price per Token (FDV basis)	\$51.73	N/A
Current Token Price (Feb 21, 2026)	\$30.08	N/A
Upside to DCF Fair Value	+72%	N/A

Sensitivity Analysis

The table below shows implied token price across WACC and terminal growth scenarios. Green: above \$80. Yellow: \$40 to \$80. Red: below \$40. Base case at 11.8% WACC and 4.0% growth implies \$57 per token, representing approximately 90% upside to current.

WACC / g	2.5%	3.0%	4.0% (base)	4.5%	5.0%
8.0%	\$184	\$151	\$112	\$97	\$84
10.0%	\$119	\$99	\$75	\$65	\$57
11.8% (base)	\$86	\$73	\$57	\$50	\$44
13.0%	\$73	\$62	\$49	\$43	\$38
15.0%	\$57	\$49	\$39	\$35	\$31

Green: above \$80. Yellow: \$40 to \$80. Red: below \$40. Current price: \$30.08. Base case (11.8%, 4.0%) in blue: \$57 implied.

Comparable Company Analysis

On a circulating market cap basis, HYPE trades at 8.5x last twelve months revenue, in line with Coinbase at 8.3x. Protocol earnings margins of 92% far exceed Coinbase at 42%. Against crypto DEX comps, Hyperliquid leads on every measurable metric by a wide margin. Applying a 12x P/S multiple to FY2027E revenue of \$2.4 billion implies an FDV of approximately \$28.8 billion, or roughly \$29 per token. The market is pricing in essentially zero growth premium at current levels.

Company / Token	Mkt Cap	LTM Rev	EV/Rev	P/E	Rev Growth	Notes
HYPE (FDV basis)	\$30.1B	\$844M	35.6x	38.9x	N/M	SUBJECT - FDV basis; circ MC \$7.2B = 8.5x rev
HYPE (circ. basis)	\$7.2B	\$844M	8.5x	9.3x	N/M	Circulating MC - primary vs. CEX peers
Coinbase (COIN)	\$55B	\$6.6B	8.3x	28x	+35%	CEX plus custody; spot and derivatives
Robinhood (HOOD)	\$28B	\$3.4B	6.6x	30x	+58%	Retail broker; options and crypto expansion

CME Group (CME)	\$90B	\$6.1B	14.2x	24x	+5%	COMEX operator; HIP-3 TAM reference comp
Cboe Global (CBOE)	\$22B	\$2.1B	9.5x	20x	+8%	Options/derivatives; HIP-4 TAM reference
dYdX (DYDX)	\$0.15B	~\$15M	10x	N/M	Neg.	Original perp DEX; losing market share
GMX (GMX)	\$0.4B	~\$50M	8x	N/M	+5%	AMM-based perp DEX on Arbitrum
Peer Median (ex-HYPE)	N/A	N/A	8.9x	22x	+20%	TradFi/CEX median; DEX comps carry lower multiples

Sources: CoinGecko, SEC filings (COIN 10-Q, HOOD 10-Q, CME 10-K), DefiLlama, Artemis, KuCoin 2025 Annual. Data as of Feb 21, 2026.

4. 12-Month Price Targets

Price targets are shown on both a fully diluted (FDV, 1 billion total tokens) and circulating basis (~240 million tokens as of February 2026). The FDV basis is the conservative long-run framework. Circulating basis prices are useful as near-term trading references.

Scenario	Methodology	FDV Price Range	Circ. Price	Probability
BEAR	P/S 5x on FY2026E \$1.0B rev Competition erodes share Unlock pressure persists	\$7 - \$14	\$30 - \$60	20%
BASE (12-mo)	DCF (WACC 11.8%, g 4%) P/S 12x on FY2027E \$2.4B Buyback support	\$47 - \$58	\$196 - \$242	50%
BULL	P/S 25x on FY2027E \$2.4B rev HIP-3 accelerates Institutional inflows	\$80 - \$110	\$333 - \$458	30%

Bear Case (\$7 to \$14 FDV) - 20% Probability

Competition from Aster and Lighter erodes DEX share below 40%. HIP-3 volume stalls. Monthly unlocks of 9.92 million tokens through November 2027 overwhelm buyback capacity. Regulatory action restricts US access. Applying P/S 5x to \$1.0 billion FY2026 revenue plus \$1.5 billion cash implies approximately \$8 per token on an FDV basis. Even in this scenario, sub-\$14 pricing reflects more than the protocol's fundamental revenue floor.

Base Case (\$47 to \$58 FDV) - 50% Probability

Anchored to the DCF fair value of \$51.73. Cross-checked against P/S 15x on FY2027E revenue of \$2.4 billion, implying \$37 FDV, and NVR 25x on \$1.5 billion annualized revenue, also implying \$37 FDV. Averaging three approaches yields the \$47 to \$58 target range. At \$30 per token, the protocol repurchases approximately 27.3 million tokens annually against 119 million in contributor unlocks. Net dilution is real but manageable and ends entirely in November 2027.

Bull Case (\$80 to \$110 FDV) - 30% Probability

HIP-3 sustains above \$5 billion average daily volume. HIP-4 gains traction. The Hyperliquid Strategies \$1 billion HYPE treasury vehicle closes. Sovereign wealth fund positioning begins. P/S 25x on FY2027E revenue of \$2.4 billion implies \$60 FDV. NVR 50x on \$2.5 billion annualized revenue implies \$125 FDV. The bull target is capped at \$110 to account for HIP-3 volume sustainability uncertainty.

5. Five-Year Price Target and Crypto Cycle Analysis

The Four-Year Bitcoin Halving Cycle

Crypto markets have followed a consistent four-year rhythm driven by Bitcoin's halving mechanism. Every four years, the rate of new Bitcoin issuance halves. The 12 to 18 months following each halving have historically produced the cycle's strongest returns as supply compression meets accelerating demand. Halvings occurred in November 2012, July 2016, May 2020, and April 2024. The current cycle's halving was April 19, 2024.

Altcoins exhibit amplified beta to Bitcoin in both directions. In bull phases, high-quality altcoins commonly return 3x to 10x what Bitcoin returns. In bear phases, they commonly lose 85% to 95% from their peaks while Bitcoin loses 70% to 80%. The dynamic reflects capital rotation: funds flow from Bitcoin into Ethereum and then into smaller assets as the cycle matures, with each layer of the risk curve attracting progressively more speculative capital before the cycle reverses.

HYPE is unusual within this framework because of genuine revenue-generating fundamentals. That creates a floor that pure speculative tokens lack, but it does not make HYPE immune to cycle drawdowns. In a severe broad crypto decline, HYPE will fall materially regardless of protocol revenue. Cycle positioning is therefore a material variable in any five-year holding analysis.

Where We Are: February 2026

Bitcoin hit approximately \$109,000 in January 2025, roughly nine months after the April 2024 halving, consistent with prior cycles where ATHs arrived 12 to 18 months post-halving. February 2026 is approximately 22 months post-halving. Two interpretations are defensible: the cycle peak already occurred near \$109K and early-stage distribution has begun; or the cycle is running longer than prior ones due to spot Bitcoin ETF inflows and improved regulatory clarity, with a higher peak still ahead.

The extended cycle scenario carries more weight given structural differences from prior cycles. Spot BTC and ETH ETFs with \$60 billion or more in AUM represent a permanent institutional demand pool absent in 2017 and 2021. The GENIUS Act and parallel regulatory frameworks are reducing barriers to crypto capital allocation at the institutional level. Our base case places the cycle peak in the \$120,000 to \$200,000 BTC range, most likely in 2026, followed by a bear trough in 2027 to 2028, and recovery through the next halving cycle beginning April 2028.

HYPE-Specific Cycle Overlay

HYPE moved from \$3.57 at its November 2024 TGE to \$59.30 in January 2026, a 16.6x return in approximately 14 months. The subsequent retrace to \$30.08 represents a 49% drawdown from the all-time high. That pattern fits a bull cycle consolidation rather than a cycle peak breakdown: venue volume remains elevated, protocol revenue is accelerating, and the broader market has not entered a classic bear structure.

The primary HYPE-specific headwind is the 9.92 million token monthly unlock through November 2027. This creates persistent supply that suppresses rally magnitude relative to a comparable protocol without vesting obligations. At \$30 per token, the monthly nominal unlock value is approximately \$298 million. Even in a strong bull market, clearing that supply requires very large net buying volumes. The Assistance Fund buybacks, which totaled \$645 million in FY2025 and grow with revenue, are the primary counterforce.

Cycle Phase Map: 2024 to 2029

The table maps the expected Bitcoin cycle phases against altcoin behavior, HYPE-specific drivers, and price range estimates for each phase. This is a probabilistic framework, not a forecast. Cycle timing in crypto is imprecise, and the extended cycle scenario adds further uncertainty to the 2026 to 2027 phase.

Period	BTC Cycle Phase	Altcoin Beta	HYPE-Specific Driver	Expected HYPE vs. BTC	HYPE FDV Price Range
2024 (TGE)	Post-halving accumulation BTC \$60K-\$100K range	Low. Altseason not yet started. Beta compresses relative to BTC	TGE at \$3.57, Nov 29, 2024. Airdrop unlock and price discovery phase	N/A (just launched)	\$3.57 to \$59 ATH ATH reached Jan 2026 at \$59.30
2025 (Current)	Early bull. BTC ATH \$109K Jan 2025. Consolidation phase underway	Moderate. Select alts breaking out. DEX and infrastructure outperforming	\$844M revenue. \$645M in buybacks. HIP-3 launch Oct 2025. 240M circ supply.	1.5x to 2.5x BTC on upside moves Higher volatility and deeper drawdowns	\$25 to \$60 FDV \$30.08 current (49% off ATH)
2025-26 (Next 12 mo)	Bull continuation or pre-peak chop. BTC likely in \$100K-\$200K range	High. Altseason historically follows BTC consolidation above prior ATH	HIP-3 maturing. Equity perps scaling. HIP-4 live. Vesting overhang persists.	2x to 4x BTC on upside moves Beta increases as narrative builds	Base case: \$47-\$58 FDV Bull case: \$80-\$110 FDV
2026-27 (Peak/Distribution)	Cycle peak. Historically Q4 2025 to Q1 2026, possibly extended into 2026	Extreme. Altcoins often 10x to 20x BTC	Vesting digested by Nov 2027. Institutional mandates potentially live.	3x to 6x BTC at cycle peak Severe drawdown risk post-peak	Bull peak: \$80 to \$200+ FDV Range wide given timing uncertainty

		at mature bull cycle peaks	HIP-3 TAM either validated or not.		
2027-28 (Bear)	Post-peak bear. BTC drawdown 70-80%. Historically deepest altcoin pain	Severe decline. Alts typically lose 90%+ from peak in bear markets	Structural deflation starts (unlocks done). Buybacks compound as revenue grows. Revenue base \$3B+ provides a floor.	Bears outperform BTC in downturns. Revenue moat means shallower decline vs. alts	Bear trough: \$15 to \$40 FDV Revenue floor higher than cycle-1 lows
2028-29 (5-Yr Target)	Next halving. BTC halving Apr 2028. New bull begins late 2028 or 2029	Recovery. New alt narrative around DeFi and TradFi convergence theme	Fully diluted. Structurally deflationary. FY2030E \$5.8B revenue. No more unlocks. HIP-3 and HIP-4 TAM proven or not.	New cycle: 2x to 4x BTC beta. Higher earnings base means lower beta than prior	5-year target: \$100-\$250 FDV Risk-adjusted base case: ~\$140

Cycle timing based on historical halving patterns (2016, 2020 cycles) adjusted for ETF institutional flows in the 2024-2025 cycle. Price ranges are illustrative. Actual outcomes depend on BTC cycle trajectory and HYPE-specific execution. Blue: current period. Green: cycle peak phase. Red: bear trough. Purple: five-year recovery target.

Five-Year Price Target Scenarios (February 2026 to February 2031)

Five-year targets must account for the remainder of the current bull cycle, the subsequent bear market trough, recovery into the next cycle beginning after the April 2028 halving, and HYPE-specific fundamentals at FY2030E maturity. Five scenarios are presented below, ranging from stress test to transformative.

Scenario	Driver Assumptions	FDV Target (Feb 2026 - Feb 2031)	Return from \$30.08	Key Assumption / Risk
DEEP BEAR (Stress Test)	Regulatory shutdown of US access. Aster and Lighter take 60% of volume. Broad crypto bear down 80% from peak. HIP-3 adoption stalls permanently.	\$8 to \$15 (Cycle peak: \$20-\$30 in 2026-27)	-50% to -73% from current	Regulatory action targeting non-KYC offshore perp DEXes. Core thesis broken.
BEAR (Downside)	Market share falls to 40% by 2028. HIP-3 stalls at \$1B-\$2B ADV. Bear cycle draws down 65% from peak. Revenue plateaus at \$1B-\$1.5B.	\$18 to \$35 (Cycle peak: \$60-\$80 in bull phase)	-16% to +16% (effectively flat)	Competitive erosion plus bear cycle drawdown dominate. Revenue floor provides support.
BASE CASE (Risk-Adjusted)	70%+ DEX share maintained. HIP-3 scales to \$5B-\$8B ADV by 2028. FY2030E revenue \$4B-\$6B. Nov 2027 deflation inflection reached. Full cycle: peak, trough, recovery.	\$100 to \$160 (Cycle peak: \$150-\$300 in bull)	3.3x to 5.3x (+233% to +432%)	Unlock pressure through Nov 2027. Cycle timing risk. Regulatory outcome unclear.
BULL (Upside)	TradFi perp adoption accelerates. HIP-3 reaches \$15B-\$25B ADV. HIP-4 structured products gain traction. Institutional mandates reach \$5B+. FY2030E revenue \$8B-\$12B.	\$200 to \$350 (Cycle peak: \$400-\$600 in bull)	6.6x to 11.6x (+566% to +1063%)	Requires HIP-3 volume sustained AND institutional adoption AND favorable regulatory outcome.

<p>TRANSFORMATIVE (10x+ Scenario)</p>	<p>Hyperliquid becomes global TradFi derivatives infrastructure layer. Silver, gold, equities, FX all at scale. HIP-4 replaces binary options broadly. FY2030E revenue \$15B-\$25B.</p>	<p>\$500 to \$900+ (Cycle peak: \$1,000+ possible)</p>	<p>16x to 30x+ (+1,493% to +2,892%)</p>	<p>Very high execution risk. Requires regulatory clarity, team scaling, and sustained leadership through full cycle.</p>
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Targets cover February 2026 through approximately February 2031 and include cycle peak and trough. The risk-adjusted base case of \$100 to \$160 FDV reflects a weighted average across scenarios, with the cycle peak likely in 2026-2027 and recovery into the next bull phase in 2028-2029.

Critical Risk Variables for the Five-Year Horizon

Cycle timing is the dominant variable the DCF model cannot capture. If the October 2025 BTC ATH at \$126K was the cycle peak rather than a mid-cycle high, then HYPE's \$59.30 ATH may represent the cycle high for this cycle. Under that scenario, the protocol faces a 12 to 24 month bear market drawdown before fundamental value reasserts. Our base case assigns this a 30% weight, reflected in the Bear scenario probability.

The November 2027 vesting completion is the most important fundamental catalyst in the five-year thesis. Once contributor unlocks end, the protocol transitions from net-dilutive to net-deflationary at any revenue above approximately \$1.3 billion. At FY2028E revenue of \$3.2 billion, post-November 2027 buybacks would absorb all conceivable new supply and reduce circulating float. This structural shift coincides with the next halving cycle's accumulation phase, creating what we view as the highest-conviction entry window in the HYPE thesis: Q4 2027 through Q2 2028.

Altcoin cycle risk is amplified relative to Bitcoin because HYPE is a higher-beta, smaller-cap asset within a market that already treats crypto as a risk-on asset class. In a scenario where Bitcoin retraces to \$40,000, a 63% drawdown from recent highs consistent with prior bear cycles, broad altcoin declines of 80% to 90% from peaks should be expected. Even with strong protocol fundamentals, a HYPE bear trough of \$8 to \$15 in a severe cycle is within the historical distribution. Position sizing must account for this range.

The Structural Case for a Five-Year Position

HYPE is the only revenue-generating, structurally deflationary, zero-VC-dilution decentralized financial infrastructure token combining exchange economics with platform extensibility. At FY2030E revenue of \$4 billion to \$6 billion with margins above 95% and a fully deflationary token structure post-November 2027, the protocol would support multiples well above any current exchange or DeFi comparable. The FY2030E DCF terminal value implies an FDV above \$50 billion at conservative multiples. The upside scenarios imply \$100 billion to \$350 billion FDV. Whether the cycle timing and team execution align to capture that value is the central question.

6. Tokenomics and Supply Dynamics

Token Allocation

Total supply is capped at 1 billion HYPE tokens. The genesis distribution sent 310 million tokens (31%) directly to approximately 94,000 early users, one of the largest direct community airdrops in crypto history by dollar value at peak. Core contributors hold 238 million tokens (23.8%), vesting monthly through November 2027 with a one-year cliff following the November 2024 TGE. Future emissions of 388.8 million tokens (38.88%) remain unallocated and provide a runway for future community incentive programs. No tokens were allocated to venture capital. The validator staking pool holds 54.2 million (5.42%) and the foundation holds 6 million (0.6%).

Buyback Flywheel Math

At current revenue levels, the Assistance Fund repurchases approximately 27.3 million HYPE annually at \$30 per token. Monthly contributor unlocks are 9.92 million tokens (119 million per year). Net annual dilution is approximately 91.7 million tokens, declining as a percentage of growing circulating supply each year. At \$1.5 billion in revenue, annual buybacks increase to approximately 48.5 million tokens and net dilution narrows to 70.5 million. At \$3 billion in revenue, buybacks exceed unlocks entirely. At FY2030E revenue of \$5.8 billion, approximately 188 million HYPE would be repurchased annually, substantially exceeding any remaining supply additions.

7. Key Risks

Risk Factor	Severity	Probability	Mitigant
Token Unlock Overhang 9.92M HYPE/month through Nov 2027	HIGH	CERTAIN	Buybacks of ~27M HYPE/yr at \$844M revenue; HIP-3 deployer lock-ups (~4M+ tokens). Net dilution is manageable if revenue compounds.
Regulatory / KYC Exposure No on-platform KYC; CFTC jurisdiction	HIGH	MEDIUM	Hyperliquid Policy Center in DC. Jake Chervinsky leading. GENIUS Act precedent suggests regulatory clarity is achievable and creates a moat once obtained.
Competition: Aster and Lighter Binance-aligned and a16z-backed rivals	MEDIUM	HIGH	Hyperliquid holds over 70% DEX perp share, a two-year technical lead via HyperBFT, and a community aligned by the \$1.2B airdrop with no VC overhang. Lighter has not yet launched.
HIP-3 Concentration TradeXYZ controls ~90% of HIP-3 volume	MEDIUM	HIGH	Eight or more deployers active and growing. Revenue diversifies as the ecosystem matures. The protocol collects fees regardless of which deployer generates volume.
Oracle and Liquidation Risk Deployer-controlled oracle mechanisms	MEDIUM	LOW-MED	October 2025 oracle incident managed without protocol insolvency. Team responded publicly with detailed post-mortem. On-chain transparency reduces information asymmetry vs. CEX equivalents.
Broad Market Correlation Crypto beta approximately 1.35x BTC	LOW-MED	HIGH	Protocol revenue provides a fundamental floor that pure speculative tokens lack. The buyback mechanism creates price support during drawdowns. Correlation to BTC is lower than most altcoins.

Token Unlock Overhang

The 23.8% core contributor allocation produces approximately 119 million tokens in annual supply additions through November 2027. At \$30 per token, the monthly nominal value is approximately \$298 million. The market absorbed the initial unlock cadence without a structural breakdown, but bear market conditions would test this resilience. November 2027 is the critical structural date. Investors with a two-year time horizon see this overhang fully resolved and the deflationary transition begin.

Regulatory Exposure

The platform operates without KYC on its primary interface. The CFTC has jurisdiction over perpetual futures contracts and has taken enforcement action against offshore DEX operators previously. The Hyperliquid Policy Center in Washington DC, funded with 1 million HYPE and led by Jake Chervinsky, is the institutional response. We expect the regulatory trajectory to improve over 12 to 24 months, but near-term enforcement action remains the highest-severity plausible risk to the investment thesis.

Competitive Threats: Aster and Lighter

Aster, backed by YZi Labs and associated with Binance and CZ, briefly led Hyperliquid in 24-hour trading volume in late 2025. It offers up to 1001x leverage and has deployed equity perpetuals, indicating direct product overlap with HIP-3. Lighter, founded by a former Hyperliquid co-founder and backed by Andreessen Horowitz, Founders Fund, Ribbit Capital, and Craft Ventures, is a purpose-built competitor expected to launch in 2026. Both have credible teams and well-capitalized backers. Neither has durably taken share from Hyperliquid’s incumbency position, HyperBFT technical moat, or community alignment.

8. Investment Conclusion

RATING: BUY | 12-Month Target: \$47 - \$58 FDV | 5-Year Target: \$100 - \$160 FDV (base) | Current: \$30.08

Hyperliquid is the highest-revenue decentralized protocol in crypto on a protocol earnings basis, run by a world-class technical founder with zero venture capital dilution. At \$30.08, 49% below its all-time high, the token trades in line with Coinbase on a circulating P/S basis but carries materially higher margins, growing buybacks, and structural deflation beginning November 2027. The 12-month base case of \$47 to \$58 (+56% to +93%) is supported by DCF, P/S, and NVR cross-checks. Near-term risks from unlock overhang, competition, and regulatory uncertainty are real, quantifiable, and reflected in the probability-weighted target ranges.

The five-year base case of \$100 to \$160 FDV (+233% to +432%) accounts for a full crypto cycle: a bull phase peak in 2026-2027, a subsequent bear trough in 2027-2028, and recovery into the next halving cycle from April 2028. The Q4 2027 to Q2 2028 window, when contributor vesting completes and structural deflation begins simultaneously with the next halving cycle accumulation phase, presents the highest-conviction entry point in the thesis for investors not already positioned.

The bull and transformative cases, \$200 to \$900 plus FDV over five years driven by HIP-3 TradFi perp adoption at scale and full cycle recovery, carry meaningful probability and are not reflected in the current price. The risk/reward, sized appropriately for the asset class, is asymmetric.

Sources: KuCoin 2025 Annual Report; Artemis Terminal; DefiLlama; The Block; CoinGecko; FalconX Research; Blockworks Research; CoinDesk; Bloomberg Intelligence; Hyperliquid Protocol documentation; Fortune (Jan 2026); IQ.wiki; SEC EDGAR (COIN 10-Q, HOOD 10-Q, CME 10-K); BIS Triennial Survey; CME COMEX data. All data as of February 21, 2026.

DISCLAIMER: This report is prepared for informational and educational purposes only and does not constitute investment advice, a solicitation, or an offer to buy or sell any security or digital asset. Digital assets including HYPE involve significant risk of loss including total loss of principal. The four-year crypto cycle framework is based on historical patterns that may not repeat. Past performance is not indicative of future results. Ryan Mahaffy may hold positions in assets discussed. Conduct your own due diligence before making any investment decision.