Castle Labs Kaiko Research

The Verticalisation Thesis: How Blockchain Revenue Models Are Evolving

The expansion of revenue streams by blockchains

July 2026

Castle Labs

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Introduction

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1. Introduction

At their core, blockchains are businesses.

However, not many of them make money.

Initially, the **primary revenue source, especially for Layer 1 (L1), was selling blockspace**. Once L1 blockspace became too costly, Layer 2 (L2s) spun up as a scalability roadmap for Ethereum.

Eventually, **ERC-4844 reduced the cost for call data settlement on the L1**, making transaction costs much cheaper but also reducing the revenue surface of most L2s.

At the same time, increasing competition from fast, more scalable chains such as Monad, MegaETH, and others, combined with plummeting transaction costs on L1, is putting pressure on the revenue model of most blockchain networks.

The old business model of selling blockspace isn't enough to justify the high valuations of multiple blockchains.

Time to reinvent themselves. Many have pivoted towards RWAs and AI. Others, like Hyperliquid, have chosen verticalisation of the key primitives of their ecosystem in-house.

In 2025 alone, Hyperliquid made ~$960 million in protocol fees.

Historically, blockchain networks have left key primitives such as DEXs and lending protocols to be developed by ecosystem developers. Hyperliquid flips this model, serving users directly and incorporating these fees rather than leaking value to third parties.

1. Introduction

Others, like **MegaETH, have launched their own stablecoin, USDm**, to capture fees in this vertical.

Is verticalisation the new trend?

Old chains face a revenue dilemma and must pivot their business models. Newcomers are launching with verticalisation elements incorporated into their business models and infrastructure, diversifying their revenue streams and relying less on selling blockspace.

This report provides an overview of the evolving business model of blockchain networks. We analyse incumbents and newcomers, showing how each of them leverages verticalisation differently to answer a simple question:

How is the business model of blockchain networks evolving?

Can others replicate Hyperliquid's success?

Without further ado, let’s dive into it.

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The Decline of Blockchain Revenue

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2. The Decline of Blockchain Revenue

The core product of most public blockchains is a guaranteed, censorship-resistant transaction execution, or in other words, "selling blockspace."

To perform these transactions, users pay a gas fee often denominated in the chain's native token. **On Ethereum, this fee is paid in ETH and divided into two parts: base fees and priority fees.** The former is burnt, while the latter goes to the chain validators. On rollups like Arbitrum, Base, and Optimism, the user pays the sequencer (in ETH), which batches and posts transactions to the L1, keeping the spread as margin.

With time, as the infrastructure developed, transaction costs reduced across the board, and more blockspace-as-a-product (BAAP) developed, which gave birth to three problems:

1. **Fungibility:** Blockspace from competing chains, L2s, and BAAPs is largely interchangeable for most use cases. As more providers emerged, blockspace became a commodity.
2. **Competition:** As various solutions emerged, the race for optimisation intensified, and lower transaction costs became a key differentiator.
3. **Value Leakage:** The chain produces blockspace, and applications consume it to deliver services to users. Users pay two fees here: application fees and gas fees. Gas fees are what a chain earns when it has no access to application fees. With gas fees reducing, and applications growing and earning more and more fees, some applications become more profitable than the chain they are deployed on.

Another factor here which can't be ignored is liquidity. Most applications deploy on a particular chain because of its liquidity and established ecosystem, which enable greater composability and provide a large user base.

2. The Decline of Blockchain Revenue

Liquidity is the differentiator which attracts winning applications.

But the problem still remains: Is having winning applications enough?

The answer to this question can be found with the combination of the following factors:

1. **Fees, on average, a chain makes for each dollar of application fees generated on it.**
2. **Chain's Price-to-Sales (P/S) ratio.**

In this section, we address the first metric, while the second is addressed in the upcoming sections.

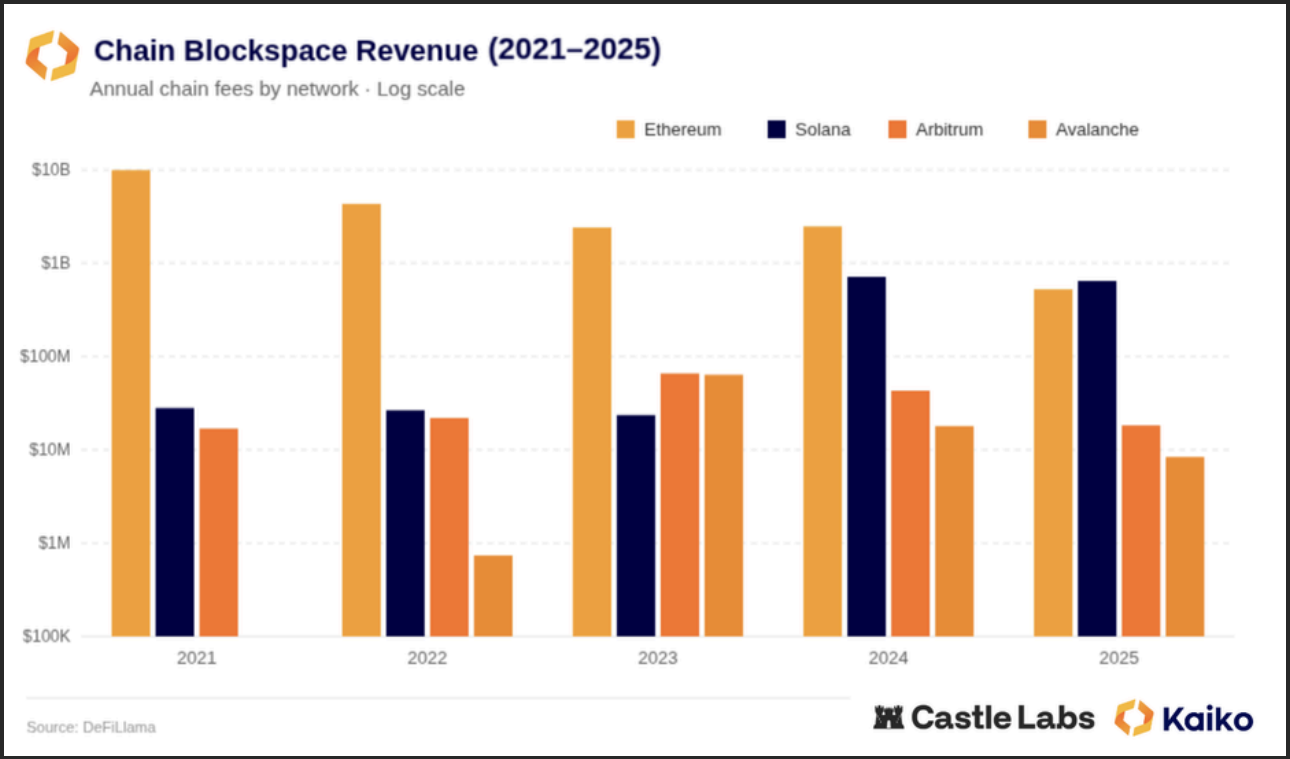
In 2021, the blockspace model proved its durability as Ethereum generated $9.91 billion in chain fees, roughly $826 million / month at its peak, as DeFi, NFTs, and speculative transactions drove gas prices to hundreds of gwei. At that time, Ethereum's chain fees exceeded the total application fees by a ratio of 1.94.

The chain was capturing more economic value than all the protocols running on it.

But this growth didn't compound, as a higher gas fee was ultimately a UX challenge yet to be solved. As the chain expands, it expects more applications and users, and no one wants users to pay hundreds or even thousands of dollars in gas fees.

So it was already clear that chain revenue would decline, and it did over the years, as infrastructure was upgraded.

2. The Decline of Blockchain Revenue



But the fee decay for Ethereum in particular began before the Dencun upgrade. Ethereum adopted a rollup-centric roadmap, which gave rise to rollups or L2s which would batch the transactions and submit them onto L1, i.e., Ethereum. These L2s saw a surge in activity because they offered security thresholds similar to Ethereum's, which eventually settled on them, and they had lower transaction costs.

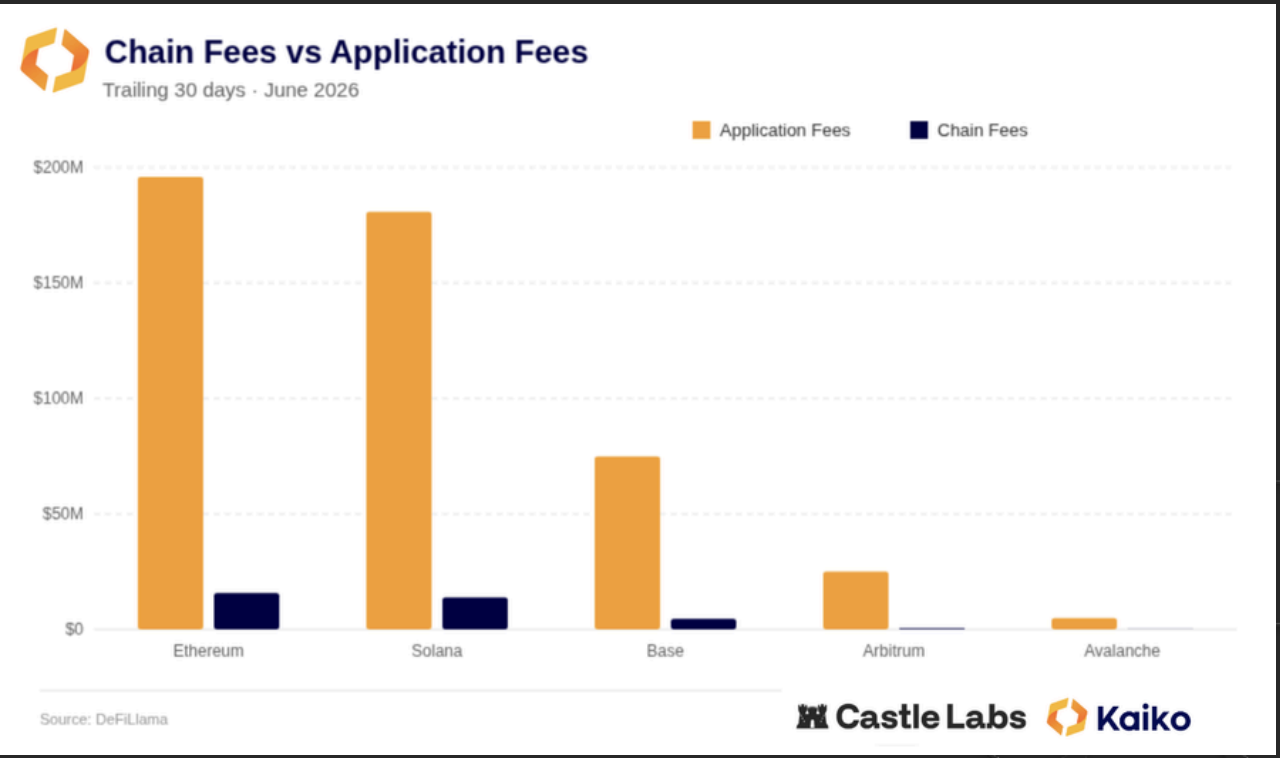
Post-Dencun in 2024, transaction costs on L2s even decreased by 10x due to the introduction of blobs, leading to even lower fees for the L1. Chain Fees on Ethereum peaked at $9.91 billion in 2021 and fell to $523 million in 2025, a 94.7% compression over 4 years.

Arbitrum, one of the major L2s, had its fees peak at $65.6 million in 2023 and fell to $18.2 million in 2025. Avalanche followed a similar divergence, with its fees plummeting 86.8% over the same period, **from $63.5 million to $8.4 million**.

2. The Decline of Blockchain Revenue

Solana is an outlier, as its **chain fees fell by only 9.6% from $713 million in 2024 to $645 million in 2025**. Solana fees are supported by organic activity from memecoin and DeFi volume.

While chain fees decrease, application fees increase, widening the gap between them. This also indicates that the chain's ecosystem is expanding at a good rate, but the gap between the two underscores how uncorrelated application growth and chain growth can be.



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3

Selling Blockspace Is No Longer Enough

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3. Selling Blockspace is No Longer Enough

Chains can grow in two directions, and the industry has spent a decade pursuing only one.

- **Horizontal Expansion:** Growing the number of apps built on top of the chain. The chain remains a neutral, general-purpose settlement layer, and value accrues by attracting more applications, developers, and users to consume blockspace. Revenue scales with the success (and quantity) of third-party apps.
- **Vertical Expansion:** Growing the depth of ownership the chain has over a single, high-value product or revenue stream. Instead of renting space to many external apps, the chain itself becomes the application (or is tightly integrated with one), capturing a much larger share of the economic activity it enables rather than just the transaction fee on top of it.

3.1 The Horizontal Playbook and Its Plateau

Horizontal growth has been the default strategy of nearly every blockchain: increase demand for blockspace by convincing more applications to build and launch on the chain. This is how most L1s and L2s have tried to grow their stack and expand their ecosystem.

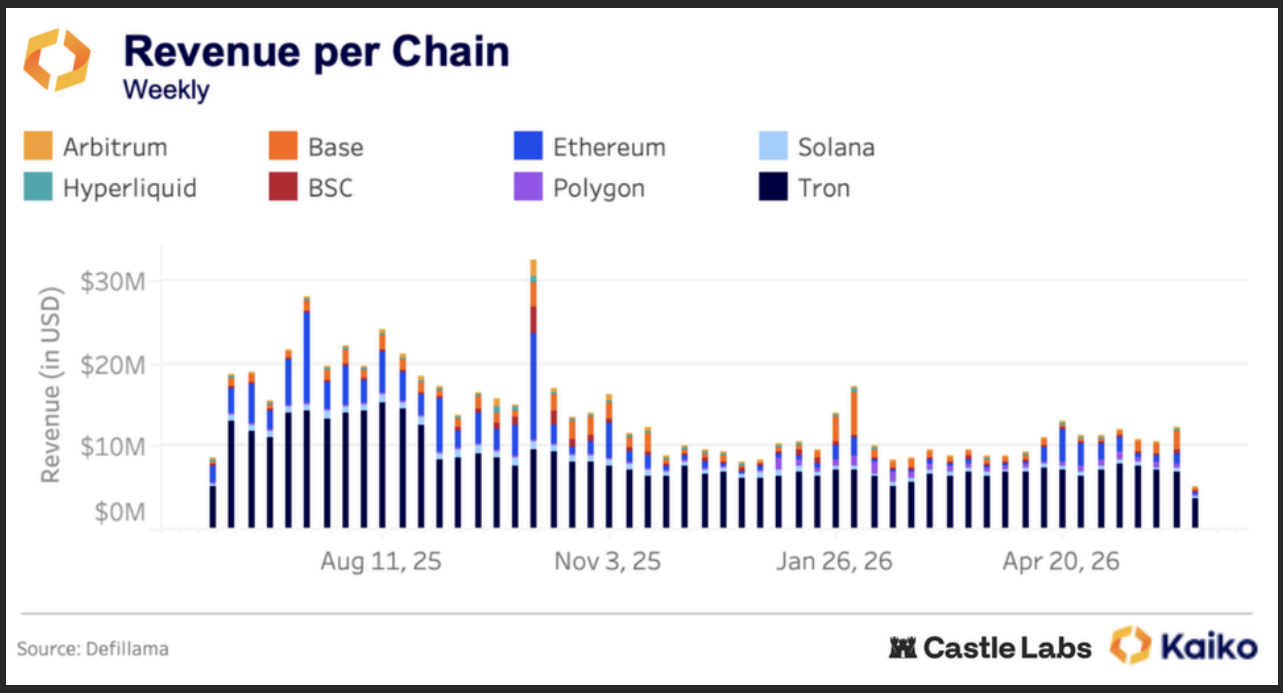
Within this horizontal model, **chains accrue revenues from two main sources: base fees and priority fees**. For behemoths such as Ethereum, Solana, and Tron, base and priority fees on transactions essentially comprise their earnings.

Other **L2s instead began layering secondary income onto the same horizontal motion**. Arguably, this came as a consequence of protodanksharing, which reduced the fees L2s could charge as they can now post much cheaper data as blobs.

Further improvements have also made it clear that the race to zero for base fees has led projects to adapt.

This includes **priority-fee auctions like Arbitrum's Timeboost, owned stablecoin stacks like MegaETH's USDm, or the deployment of a whole architecture organised around stablecoin flows, from Plasma's neobank-plus-settlement design to Tempo's private transfer rails**.

3.1 The Horizontal Playbook and Its Plateau



On the other hand, one disadvantage is that the horizontal flywheel has stopped spinning for most. **The strategy relies on the success of the applications that are being brought onchain. If existing apps are underperforming, there has to be a continuous flow of new applications to replace them**.

Furthermore, on many occasions, **these projects are attracted by token incentives, leading to a dependency between projects that move and those that receive token grants**. This also attracts mercenary teams and can lead to imbalances if incentives are not reduced slowly. **In our previous research for Arbitrum, we found that gradually reducing incentives, rather than setting a cut-off, can improve loyalty and foster more organic growth**.

3.1 The Horizontal Playbook and Its Plateau

Furthermore, by expanding horizontally, chains are, in many ways, putting their fate in the hands of external apps rather than in their own. App quality has declined significantly over time as more projects have been launched. Rather than finding projects and ecosystems, everyone is now competing for the same pot of users.

In an effort to change the trend, apps (and dApps) are increasingly trying to capture their own public, skipping the L1 or L2 chains entirely and **launching as their own app chain**, a trend paved by the wave of **Hyperliquid-style perp DEXs** that followed Hyperliquid's success.

3.2 Vertical Growth: The Hyperliquid Counterexample

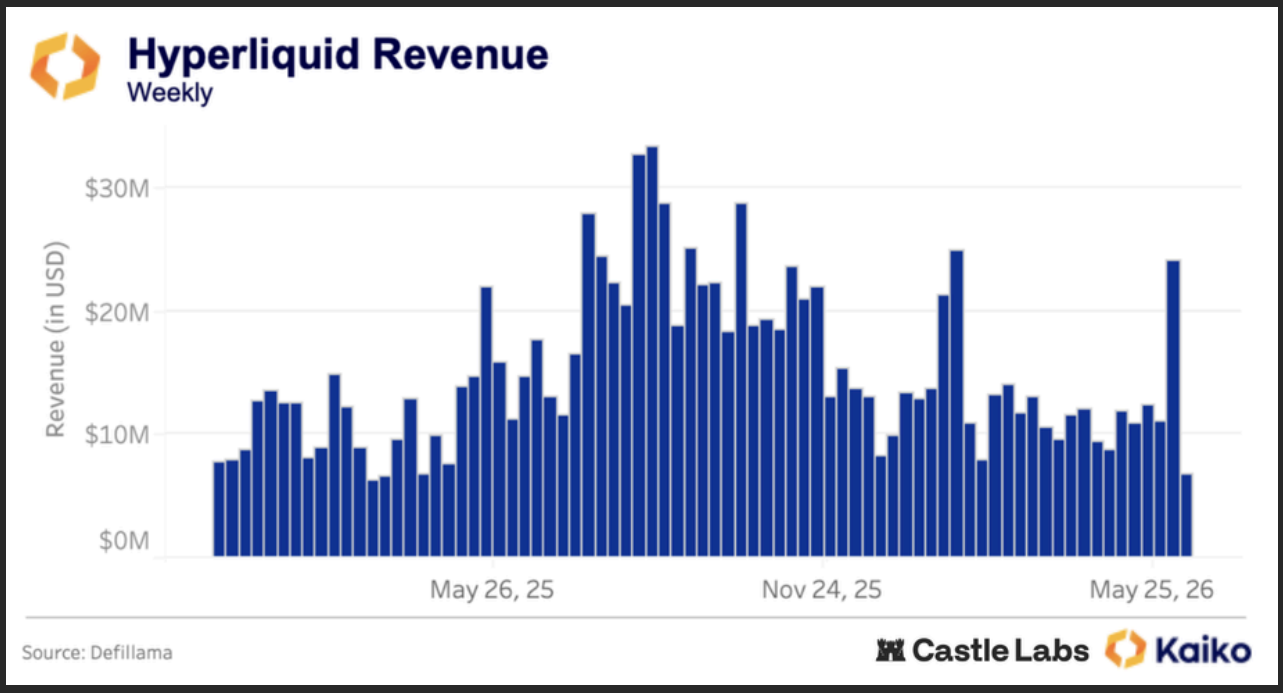
Instead of renting space to a thousand hypothetical apps, the chain is the app, and others build on top of its success, a counter approach to horizontal growth which relies on external products to push usage, adoption, and revenue.

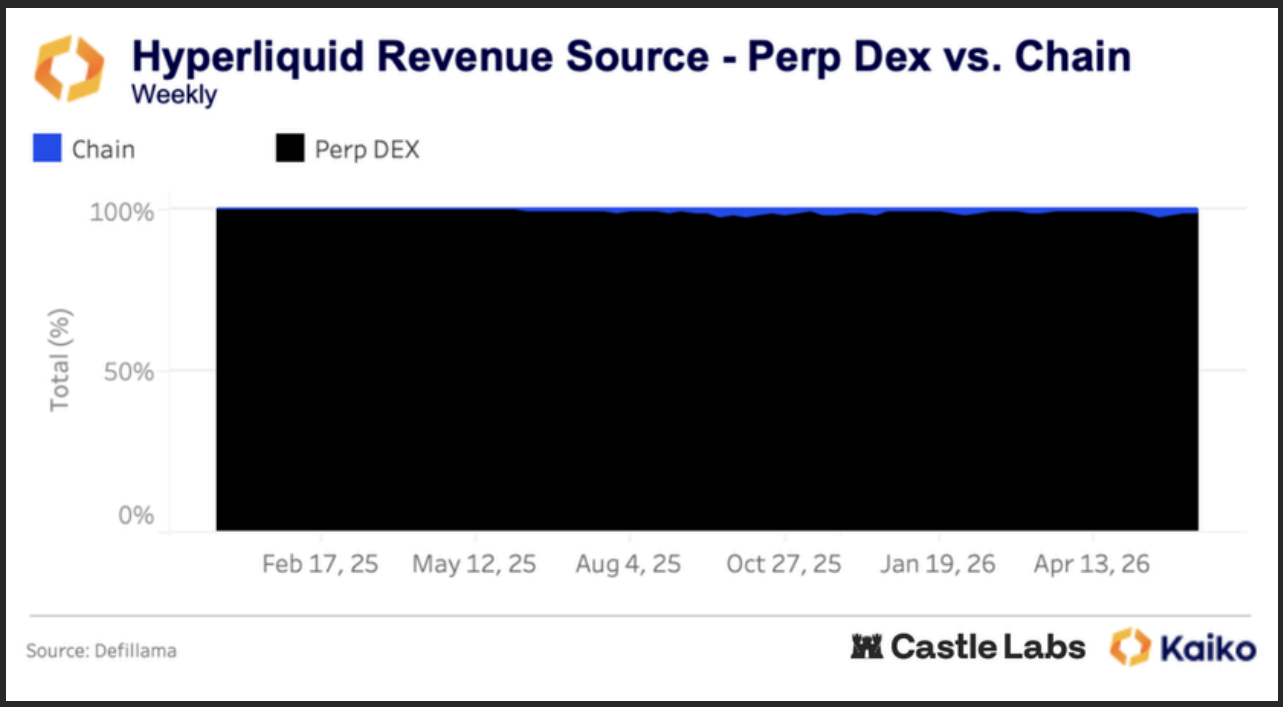
Hyperliquid is the primary example of this approach, and its proven success shows that this model outperforms what other chains have focused on so far.

In particular, this vertical expansion fits exchange venues very well, as they are the main revenue-generating primitive for crypto.

Hyperliquid's core product, the perp DEX, generates the broader majority of its revenue, earning $881M over the past year, compared to just $10.4M from chain gas fees. HypeEVM's revenue share never escapes the low single digits, averaging 1.2% and reaching only about 2% at peak. Within the trading engine itself, perp fees account for roughly 88% of gross revenue, builder-code distribution adds about 9%, and spot fees around 2%, with weekly totals ranging from $10M to $30M. Builders like TradeXYZ, Kinetiq, and Ventuals deploy on top of the exchange via HIP-3, directing a share of their revenue back to the protocol, and HIP-4 has now further extended the surface.

3.2 Vertical Growth: The Hyperliquid Counterexample

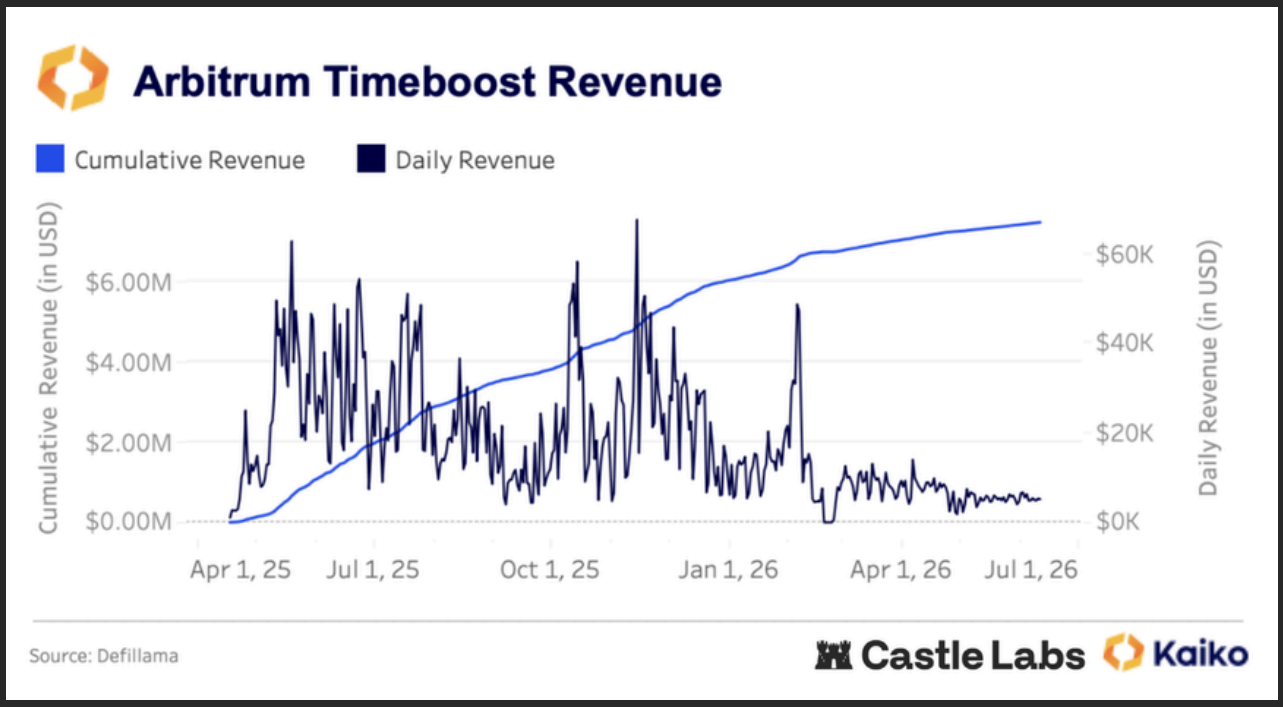




3.3 How Incumbents Are Adapting

With dried-up funding and slowing revenues, **chains are now forced to retrofit vertical elements into horizontal architectures**.

As part of this, the **Arbitrum DAO introduced Timeboost in April 2025, an auction for transaction priority which has generated roughly $7.5M in fees since launch**. To put that figure in perspective, **Arbitrum's entire chain revenue year-over-year was $13.2M**, which means a **single product launched fourteen months ago now accounts for half of what the chain earns**. Alongside Timeboost, the DAO has been deploying its treasury across the ecosystem, staking, DeFi positions, ecosystem investments, converting a passive war chest into a yield-bearing balance sheet.



These are bolt-ons, and even with Timeboost, Arbitrum's daily revenue declined roughly 40% over the past year. Retrofitting verticality onto a chain built as neutral infrastructure is slow and politically constrained by DAO governance, much as public companies are constrained by their shareholders, and remains insufficient to offset blockspace deflation.

3.3 How Incumbents Are Adapting

New chains are launching with verticalization embedded in the architecture from day one: a native application, an owned stablecoin, value accrual designed at genesis rather than bolted on by governance vote in year four.

4

The Case for Verticalisation: Hyperliquid

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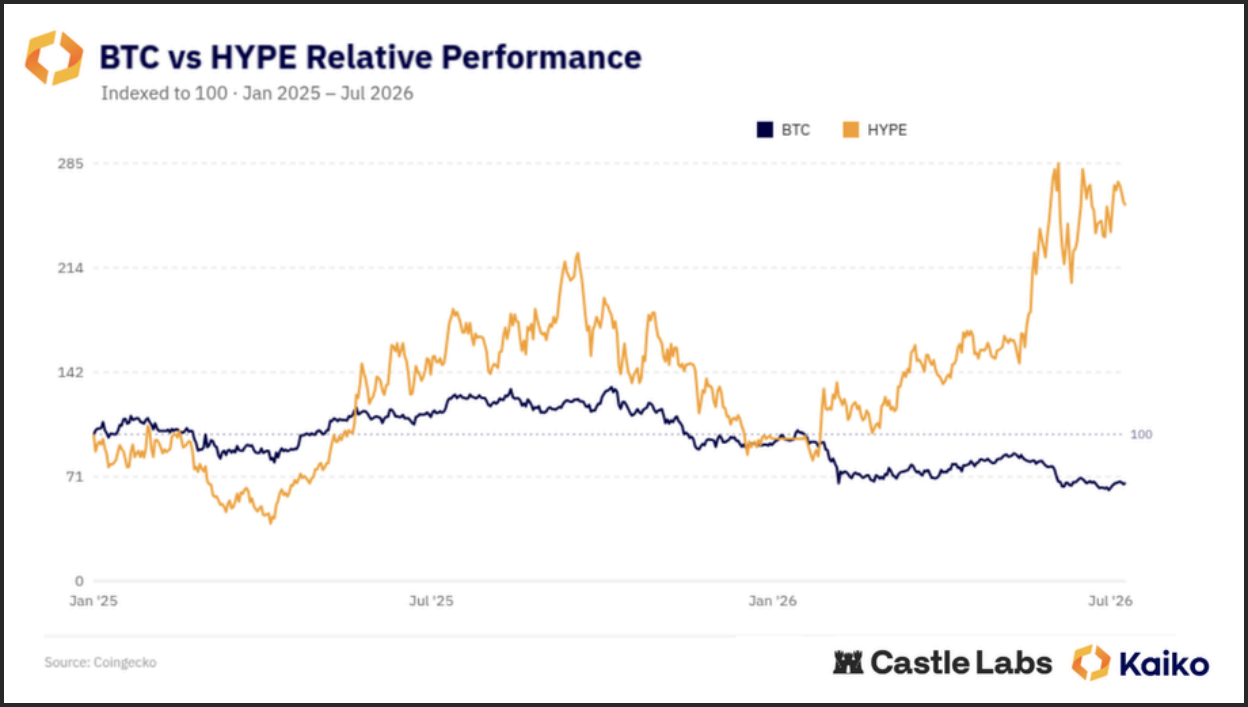
4. The Case for Verticalisation: Hyperliquid

Hyperliquid is one of the clearest examples of how chain verticalisation can contribute significantly to a product's growth and outperform competing products that depend on ecosystem growth for revenue, or better called “horizontal growth.”

Hyperliquid built out a decentralised perpetual exchange, and with that, did a massive airdrop and has consistently generated revenue, most of which goes towards buyback of its native token, HYPE.

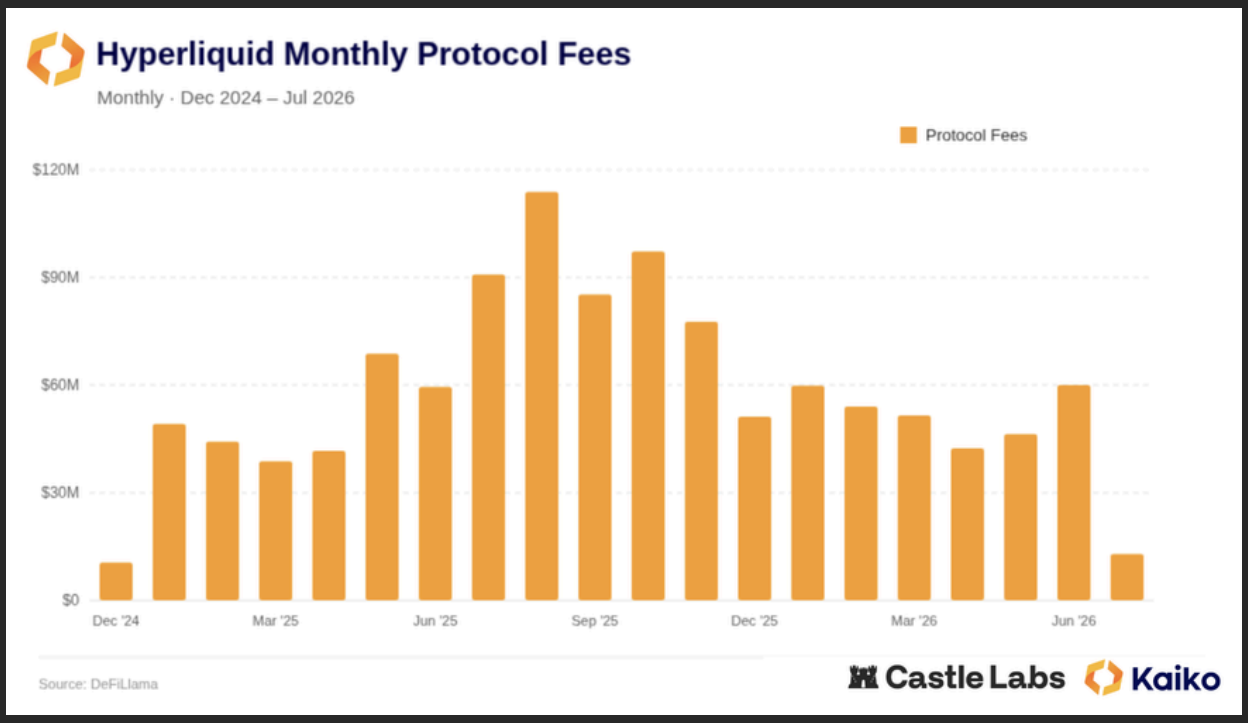
This model has consistently served because it is most aligned with the tokenholders as the product grows, revenue increases, and, in turn, buybacks increase. **HYPE has outperformed BTC since 2025, delivering strong returns to holders.**



4. The Case for Verticalisation: Hyperliquid

A good token is the best kind of marketing.

In the last 12 months, Hyperliquid has generated over $1 billion in fees, making it one of the largest fee-generating protocols after Tether and Circle.



4.1 HIP-3 and how it contributed to the verticalisation thesis

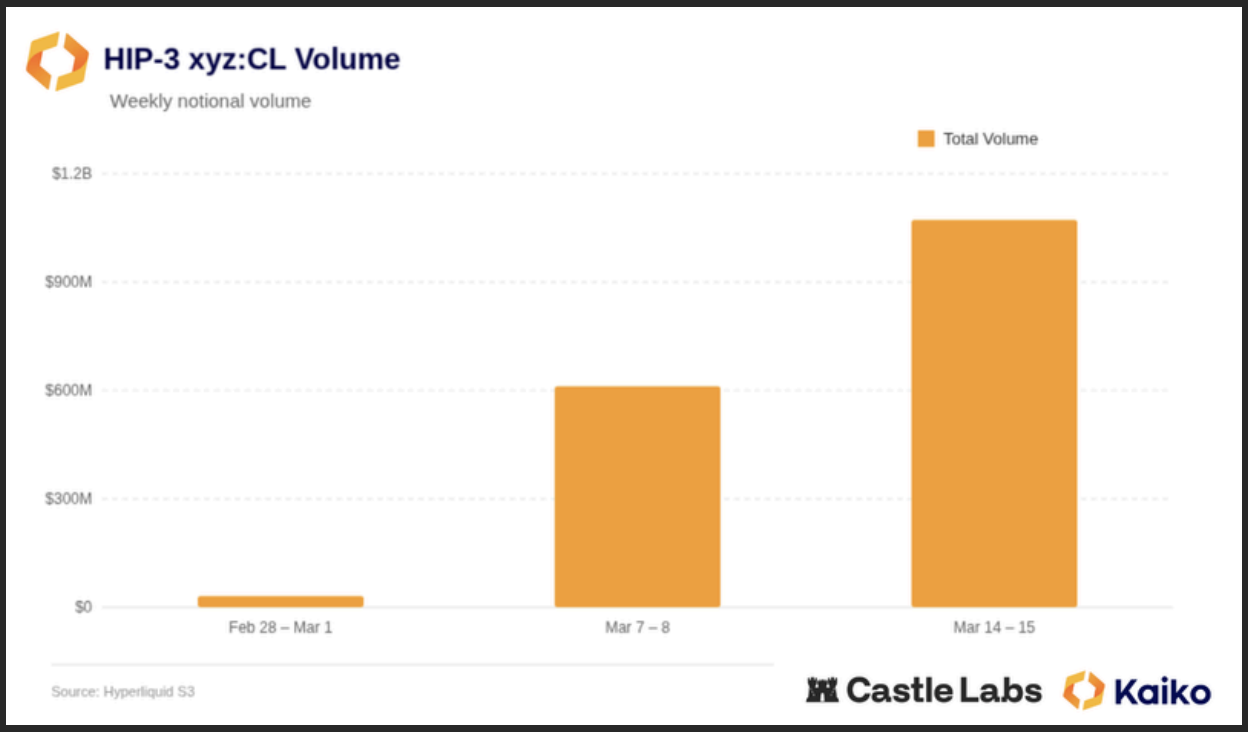
HIP-3 was introduced in late 2025 and was the first step towards expanding the Hyperliquid ecosystem **vertically**. HIP-3 allowed deployers to deploy their own perp markets by staking a minimum of **500k HYPE.** This deposit serves as a threshold that still allows a permissionless environment while maintaining platform integrity. These deployers also share 50% of the revenue made by their listed markets with Hyperliquid, giving the platform equal exposure as deployers.

After its launch, **HIP-3 attracted multiple deployers, including TradeXYZ, Ventuals, Ethena, and others**.

TradeXYZ introduced perpetuals on traditional finance assets and indices, including the S&P 500, TSLA, NVDA, and many others. Currently, these markets represent over 30% of Hyperliquid's OI and recently reached a peak of ~$3 billion.

The main edge TradeXYZ Markets offers is the ability to trade on weekends. Something that has been catching Wall Street's attention, especially after the first strike on Iran on February 28 this year, is Hyperliquid, the only venue for trading crude oil with active price discovery.

4.1 HIP-3 and how it contributed to the verticalisation thesis



Hyperliquid didn't list these assets; TradeXYZ did, but Hyperliquid handled the distribution and retained a share of the revenue generated by these markets.

Since its launch, HIP-3 has contributed ~$24 million dollars to the platform's revenue.

Given thousands of users trading on the platform, its deep liquidity, and optimised infrastructure, it has also opened the utilisation of the same with Builder Codes.

4.2 Builder Codes and the Ecosystem Layer

While Hyperliquid's own interface captures the majority of trading, the protocol has also pushed a third-party builder ecosystem. Builder codes allow external frontends to charge their own fees on top of the protocol's base fees, with the builder retaining their markup while the protocol gets access to even more distribution.

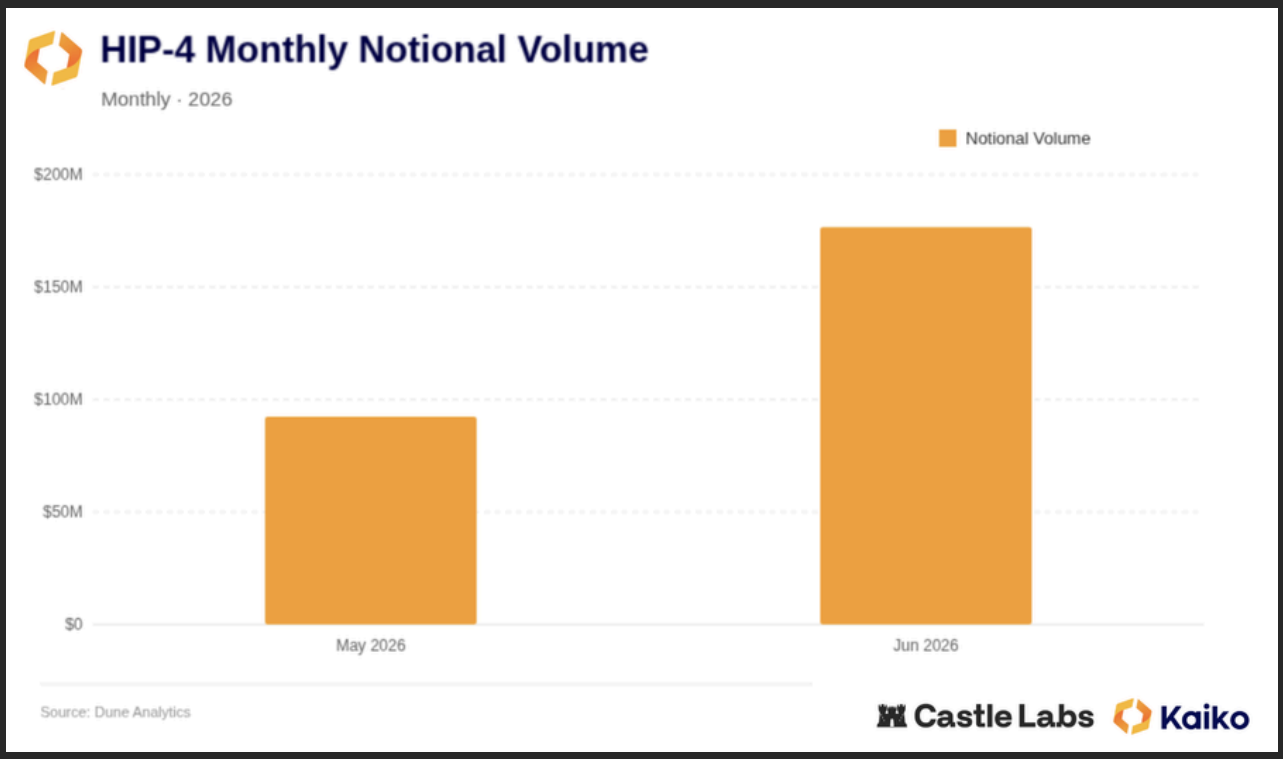
There are currently over 25 active builder codes, and have made $76 million in their lifetime revenue since their launch in October 2024, and in the past few months have consistently contributed 5-10% to the platform's total volume, with the top builders being Phantom ($22 million), BasedApp ($15 million), and pvp.trade ($8 million).

Similar to HIP-3, Hyperliquid sits at the centre of Builder codes and has built out another revenue stream while its infrastructure is still being utilised.

4.3 HIP-4 and Expanding Product Offerings

HIP-4 is another effort from Hyperliquid to expand its product offerings. It works similarly to HIP-3 and requires deployers to stake 1 million HYPE to deploy Outcome markets.

HIP-4 offers binary options and is closely related to Prediction Markets (PMs). It went live on Mainnet in May 2026 and has processed over $250 million in volume so far.



There are currently no fees on these markets as they are being tested, but over time, as it captures more market share, Hyperliquid will retain 50% of the fees, similar to HIP-3.

Additionally, **Hyperliquid introduced Priority Fees in April 2026**, which allow traders to pay a small fee to have their orders processed with lower latency than other orders. Priority fees alone have **made Hyperliquid ~$4 million so far**.

4.3 HIP-4 and Expanding Product Offerings

To increase revenue, the platform incentivised its native stablecoin, USDH, and launched it in September 2025 for use in trading pairs and to provide liquidity. This stablecoin was aligned with the platform and would share most of the revenue made from the reserves. This was a direct threat to Circle, which had over $5 billion deployed on the chain and was generating significant revenue from the reserve through this deployment. To avoid this misalignment, Hyperliquid performed an Aligned Quote Asset Version 2 (AQAv2) upgrade that **established USDC as the designated quote asset on the platform and would share 90% of the reserve asset revenue with the platform, adding an extra $130-150 million annually to Hyperliquid**.

As reflected in multiple Hyperliquid product offerings, Hyperliquid gains exposure to distribution and revenue across all axes.

This is what most chains don't have, especially the older ones. In the next section, we focus on the chains that actually understand this gap and are working towards it, building multiple revenue sources rather than sharing a small portion of the pie through application growth and related fee generation.

5

Growing Exchange Chains

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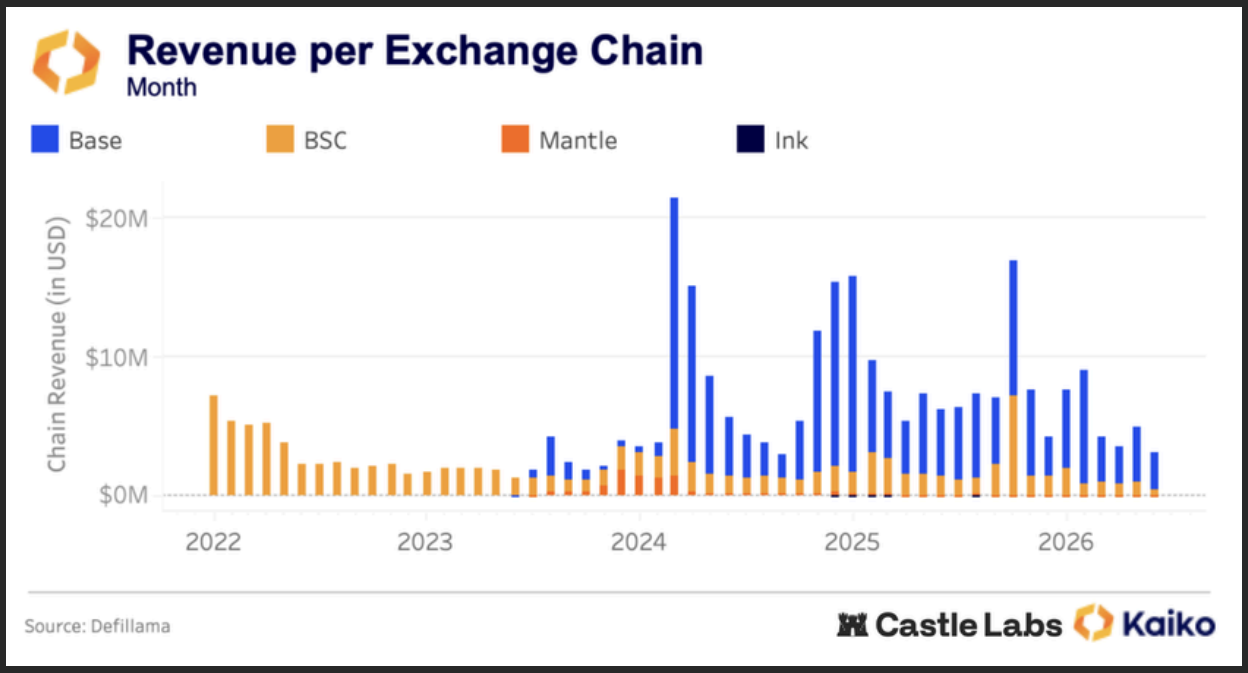
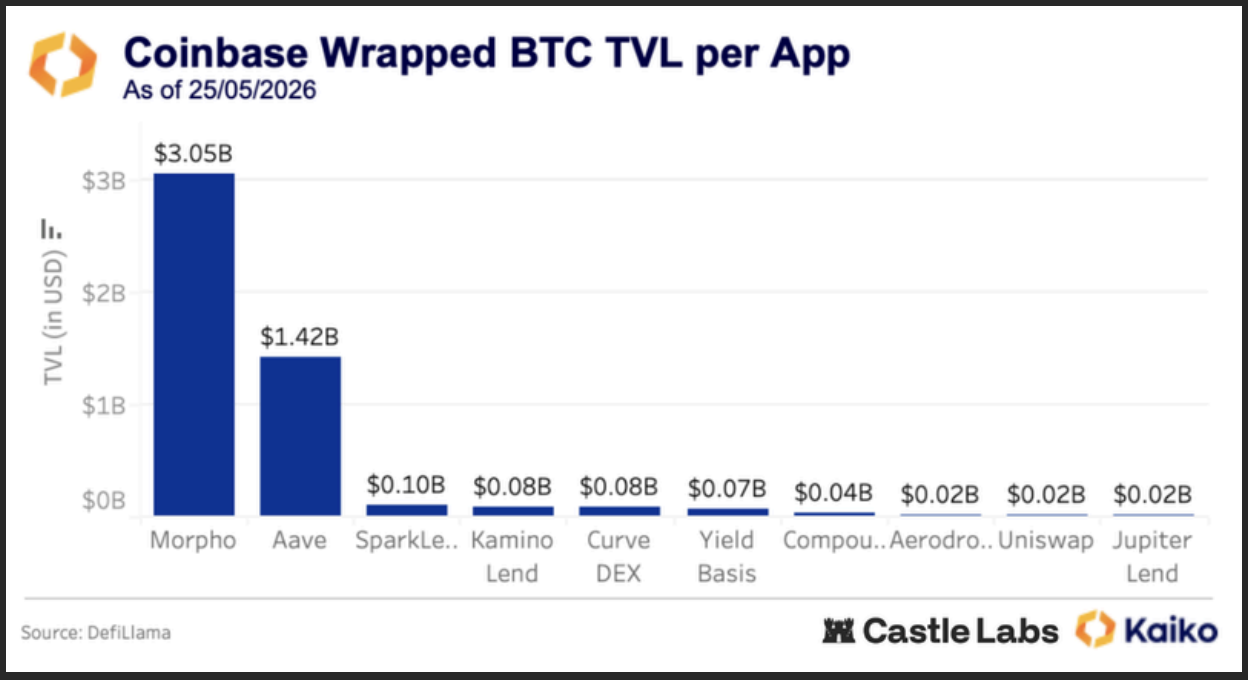
5. Growing Exchange Chains

Major centralised exchanges have collectively concluded that the sequencer fee was never the point. **Binance, Coinbase, Bybit, and Kraken all operate or incubate their own chains today**, not primarily to sell blockspace but to **own the onchain distribution layer**, capture the DeFi revenue that follows their users, and integrate yield products back into their platforms. The result is a category of chain whose economics make little sense in isolation and perfect sense as an extension of the parent exchange.



Base is the most successful CEX chain. It generated $64.0M year over year, while BSC earned $21.4M, Mantle $0.5M, and Ink $0.2M. Base is also one of only two majors whose revenue grew over the period, up 26% from roughly $144K to $182K per day, and Coinbase keeps all of it. Base has no token and no DAO, and after diverging from the Optimism Superchain model, it stopped sharing fees with Optimism, leaving 100% of sequencer revenue on Coinbase's income statement. The Morpho partnership routes Coinbase's onchain loan book through Morpho's Base deployment; loans issued on the platform settle there.

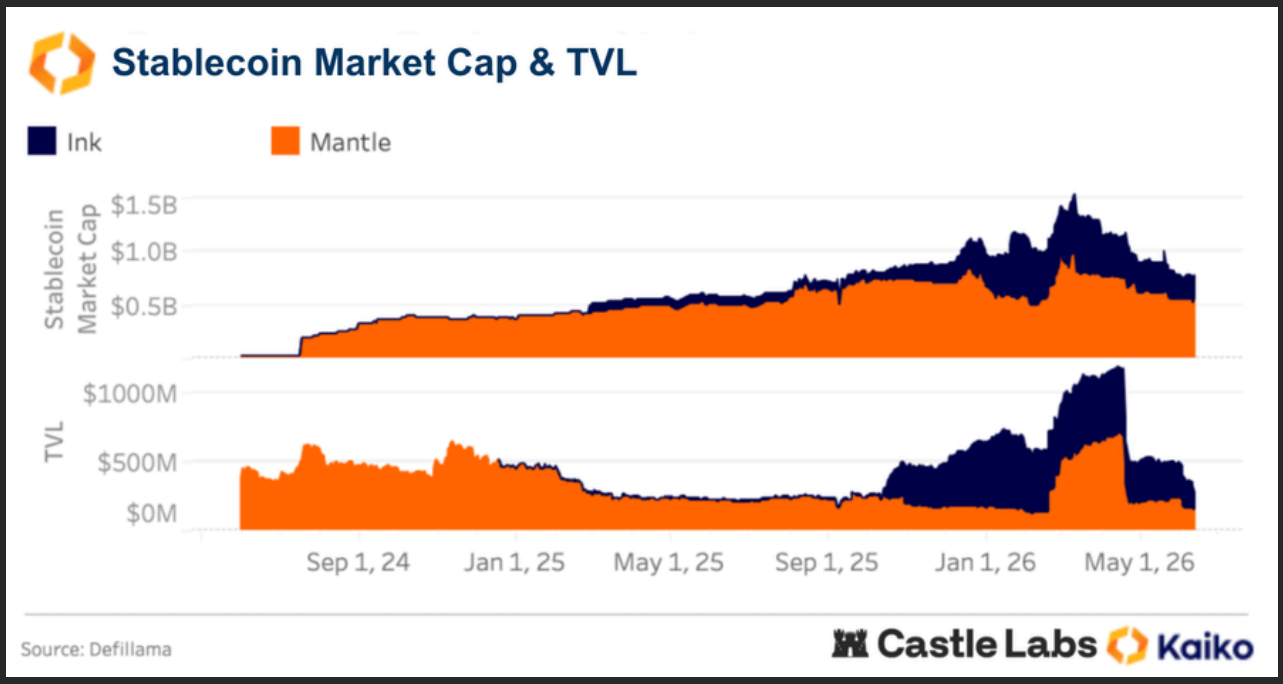
5. Growing Exchange Chains



BSC is the first iteration of the CEX chain thesis, launched years before the L2 wave, and it runs the **opposite monetisation model.** The chain processes 18.7M transactions per day, more than four times its level of three years ago, yet **earned a third of Base's revenue** because it prices blockspace at giveaway levels, roughly $0.002 per transaction in recent months. BSC's job is to keep BNB useful and to keep Binance's balance sheet products onchain. BNB serves as gas, as portfolio collateral, and as the asset at the centre of Binance's listing and launch economy, while the exchange increasingly accepts tokenised money market fund shares as trading collateral, instruments that earn yield while posted as margin and that need a settlement venue the exchange controls. Exchanges are building super-apps, and the blockchain plays one specific part in that build, serving as a warehouse for everything the exchange wants its customers to hold.

5. Growing Exchange Chains

Mantle and Ink pursue the same logic with a product suite built to monetise balances, with mETH capturing staking yield and MUSD anchoring a stablecoin stack, while Bybit provides the user and distribution funnel. Ink is the youngest and smallest of the four, architecturally closest to Base but so far without the flagship integration that gave Base its flywheel. As of today, the two chains hold roughly $300M in TVL combined, less than a single mid-sized DeFi protocol, alongside nearly $800M in stablecoins, $547M on Mantle and $222M on Ink. Still, both chains remain in their early stages, and the coming year will show whether the funnel can turn into a larger revenue stream for the business.



What unifies the four is that chain performance tracks parent distribution, not chain technology. The largest exchange logically operates the most active chain; the second-tier exchanges operate the second-tier chains; and the ordering of TVL, users, and revenue across BSC, Base, Mantle, and Ink mirrors the ordering of their parents' exchange volumes almost exactly.

6

The Case for New Chains

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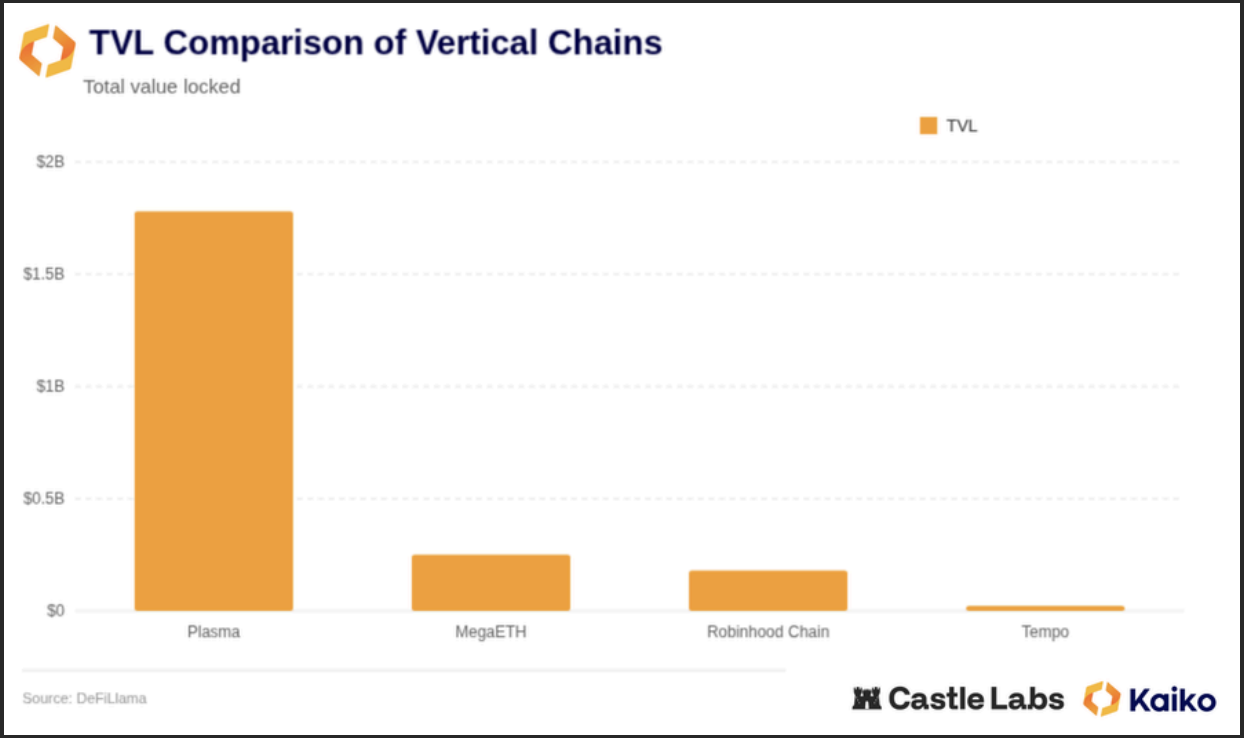
6. The Case for New Chains

Another set of chains contributing to the equation of verticalisation is the newer entrants. Chains like Plasma, MegaETH, Tempo, and Robinhood have different moats and revenue streams to support them.

In this part of the piece, we explore these specific revenue streams and the alternate products these chains have that expand their addressable market.



Starting with Plasma, it is a purpose-built L1 for stablecoin payments like USDT. Being a stablecoin chain, it enables zero-fee transfers for stablecoins, meaning that to use the chain for transfers, a user doesn't need to hold XPL (the chain's native token).

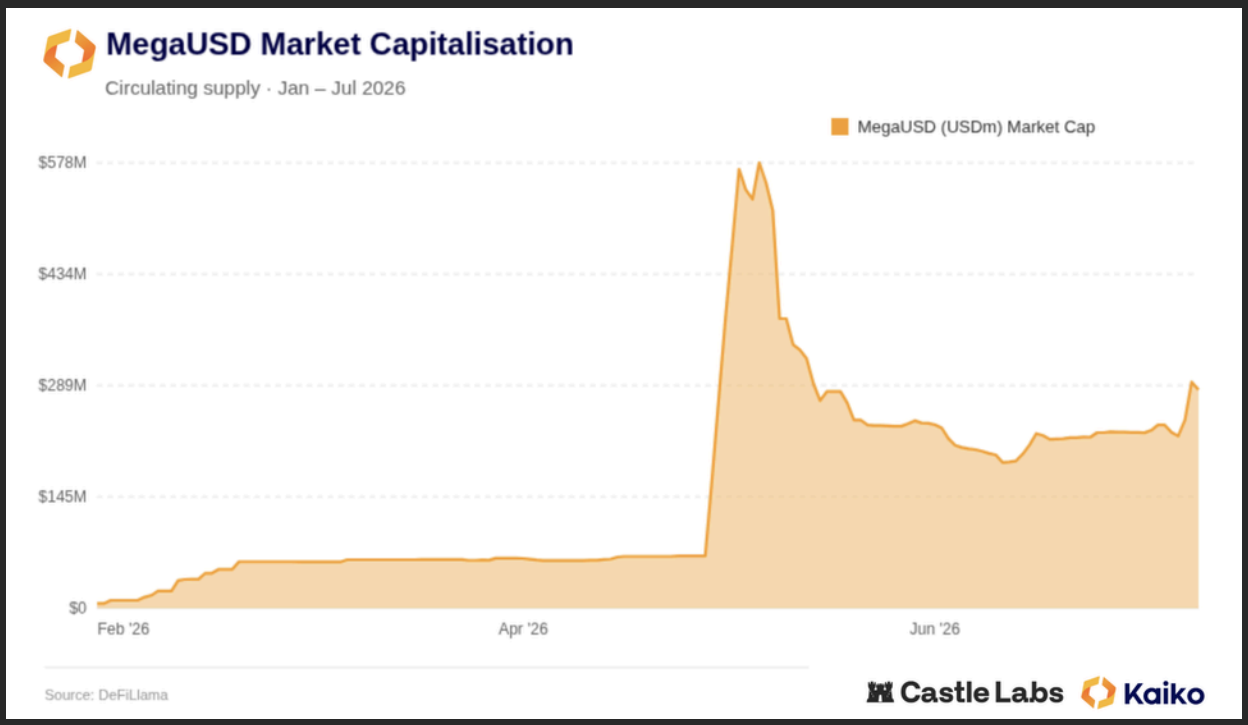
With this, **they have recently gone live with the Plasma One Card**, allowing users to spend stables at any Visa merchant globally.

6. The Case for New Chains

But the story only sounds good on the surface. Around the launch, **their TVL peaked at $10 billion but currently stands at $1.78 billion, an 80% decline**. This is not the effect of market conditions but rather a result of the declining price of their native asset, XPL. As the chain was initially heavily incentivised through this asset, its value grew. But eventually it declined as usage fell because the incentives were no longer lucrative given the price. For a more accurate depiction of how the chain is performing, they earned $3.7k in chain fees in June, down 95% from their peak.

Continuing on our list is **MegaETH**. To gain more control over their revenue, **they launched their own native stablecoin in collaboration with Ethena.** They earn most of the reserve revenue from this asset, which would eventually go toward MEGA's token buybacks. USDm currently has a **market capitalisation of ~$230 million**, which, at an SOFR of 3.6-3.7%, **would imply $8-9 million in annual buybacks** if it retains this value.

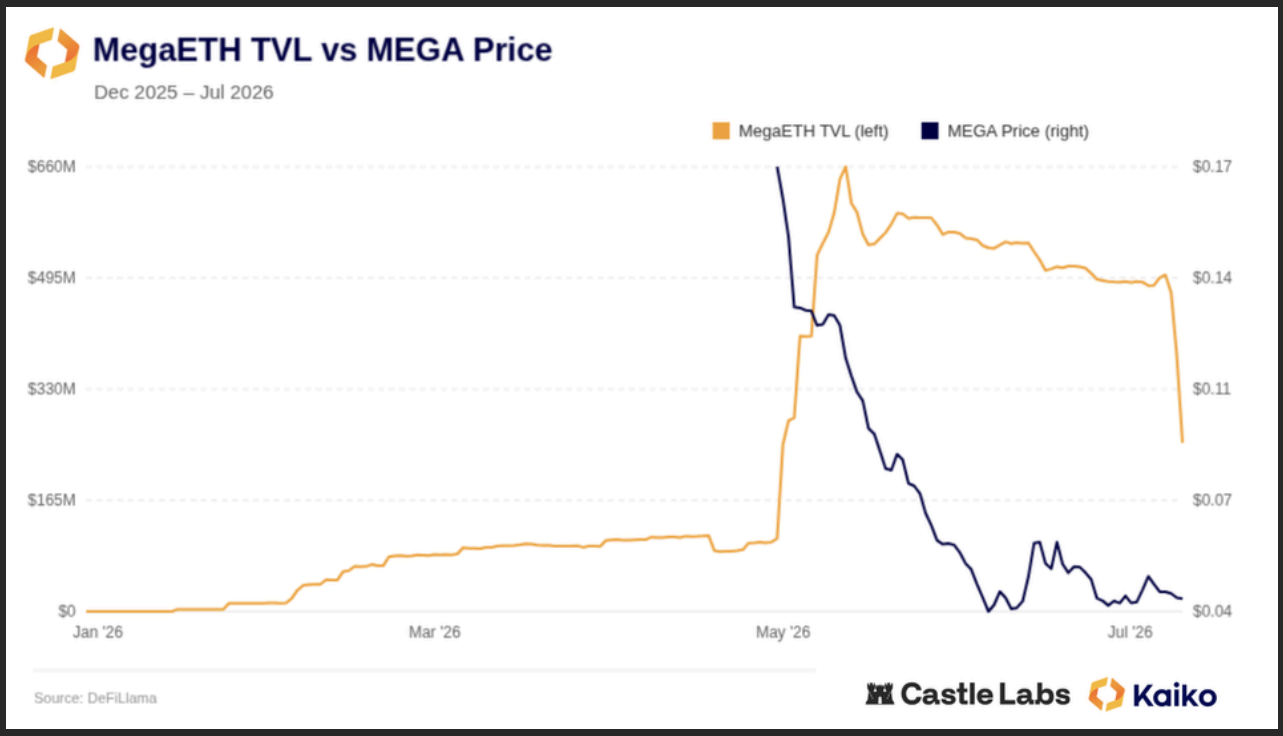
6. The Case for New Chains



Apart from this, the chain itself incubates products, which helps it curate the user experience on the chain.

But after their TGE, **their TVL has struggled and has tracked the price of their native asset, MEGA,** because incentives were not lucrative enough given the dropping token prices. For their TGE, they followed a KPI-driven approach, focusing first on achieving targets for stablecoin market capitalisation, app fees, and the number of operational apps on the chain. While this approach had good intent and delaying TGE to achieve KPI was something no other chain had done before, it didn't significantly improve post-TGE retention.

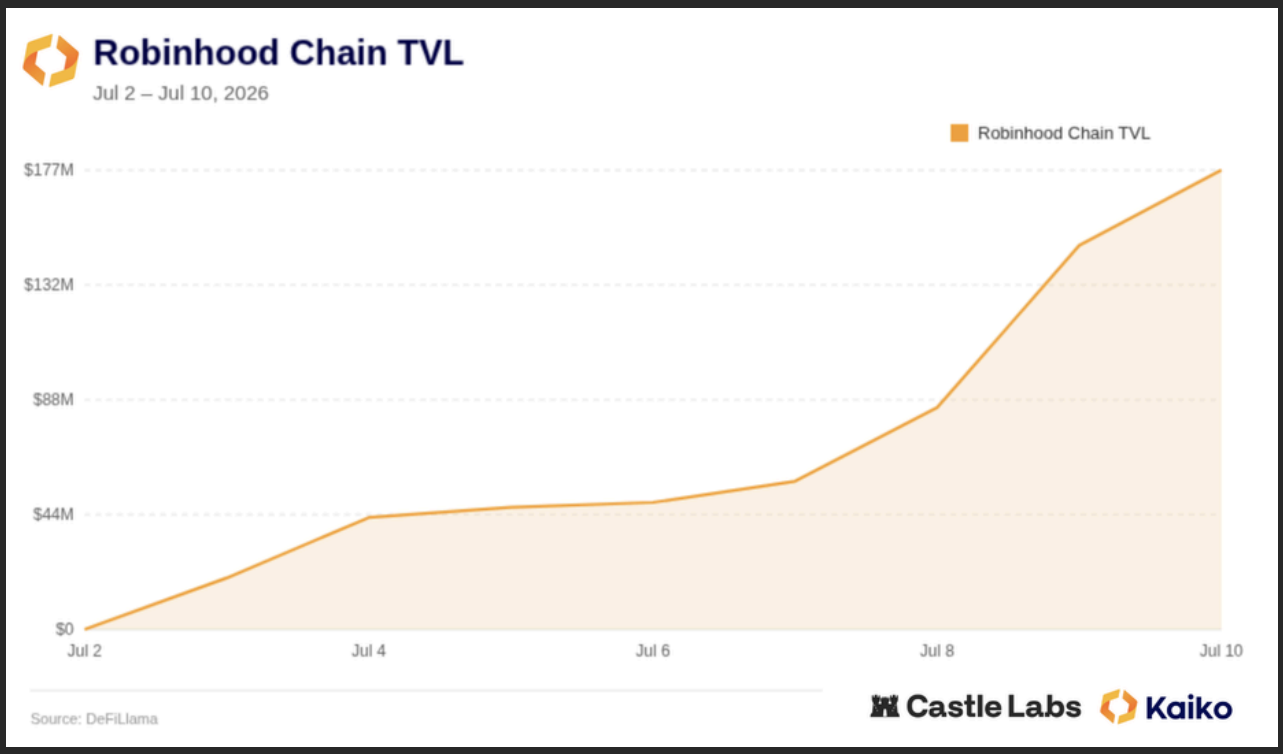
6. The Case for New Chains



Robinhood Chain, an L2 built on Arbitrum Stack, went live at the start of July and is a specialised chain for tokenising traditional assets. Since Robinhood is responsible for deploying these assets, it aligns its efforts with the chain's revenue, making it part of the verticalisation thesis. Since their launch, the TVL has grown steadily and is currently at $175 million.

Its most interesting deployment is with Morpho, whose vaults are curated by Steakhouse (Robinhood Earn Product). It currently targets an APY of 7% (base + incentives), and has a market size of $140 million. Most of its borrowing demand is generated from Ethena's USDe looping.

6. The Case for New Chains



Sustaining growth on incentives is harder because crypto capital is **incentive-efficient** and always chases the highest incentive to deploy assets.

Tempo is another contender in the verticalised chains, as it's a purpose-built enterprise chain for stablecoin payments, **jointly incubated by payment infrastructure provider Stripe and crypto venture firm Paradigm**. The chain aims to process stablecoin payments for Shopify merchants, DoorDash drivers, Klarna instalments, and corporate treasury operations. Its **Zones** privacy feature allows institutions to operate within regulatory requirements without sharing any data publicly, addressing institutions' major concern about remaining compliant and private at the same time.

6. The Case for New Chains

Tempo is more of a B2B chain, and its revenue model relies on ultra-low gas fees to scale revenue through high throughput. It essentially allows users to pay gas in the stable they are transacting in. Additionally, the chain expects that its usage will eventually increase due to its tight collaboration and the growing machine economy.

It's true that these chains have configured multiple revenue streams, but none has proven fruitful so far, either due to current market conditions or because the products are in their initial launch phase. We are yet to see the chains in this category proving their approach works.

7

Are most blockchains overvalued?

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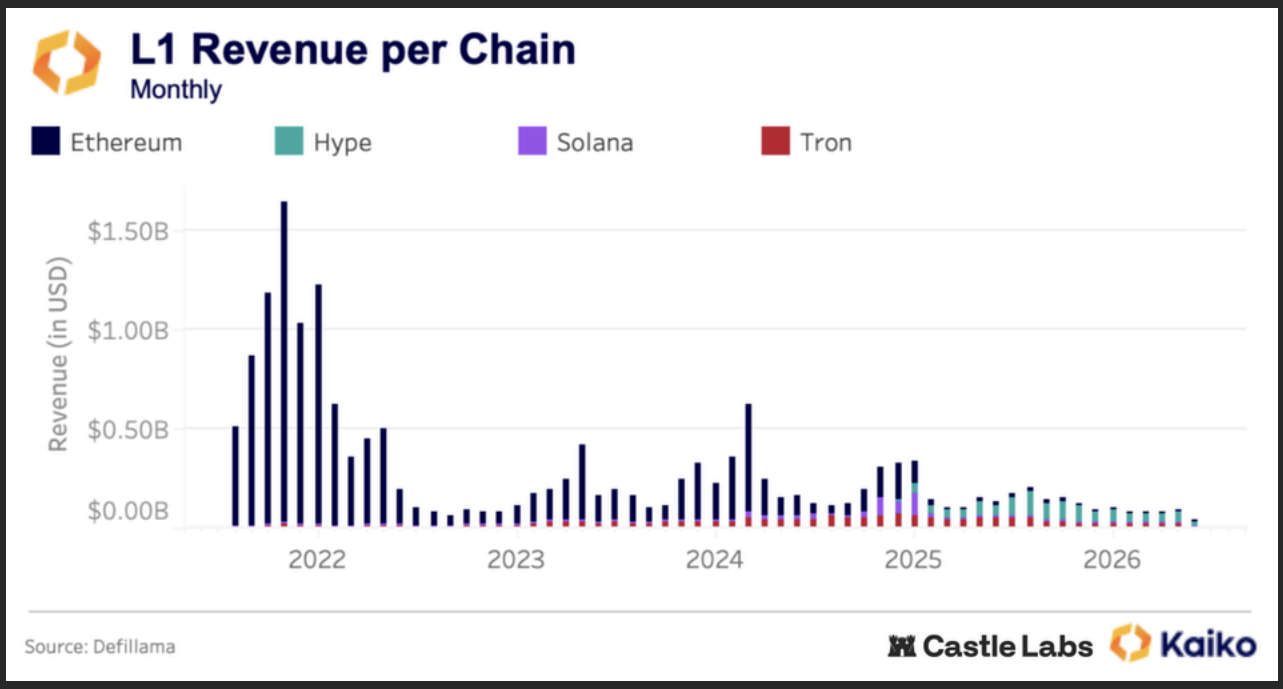
7. Are most blockchains overvalued?



The revenue chart tells the story of an industry that priced itself off a peak it never returned to. **Combined revenue across the four chains topped $1.64B in November 2021, almost all of it from Ethereum, which alone earned $1.62B that month.** In 2026, the four chains have generated an average of $80M per month so far.

Revenue staged a genuine recovery into March 2024, reaching $543M that month and then the Dencun upgrade activated EIP-4844, moving rollup data out of the competitive fee market and into near-free blob space. Subsequent capacity expansions under Pectra (May 2025) and Fusaka (December 2025) kept blob fees pinned at zero, and because Ethereum's revenue under EIP-1559 is the burned base fee, less congestion mechanically means less income.

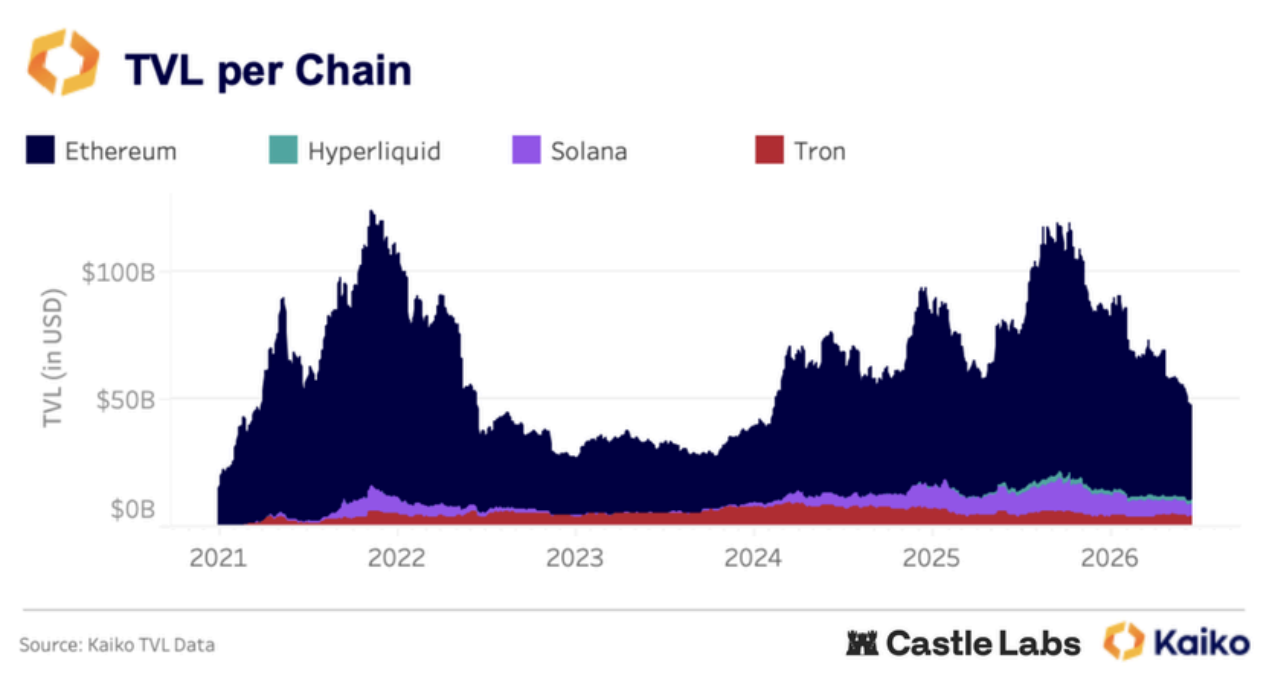
Ethereum earned $5.3M in May 2026, 0.3% of its peak.

7. Are most blockchains overvalued?

Tron is the most consistent, ranging between $30M and $75M per month over the past few years, with less dependence on market cycles. **Solana's revenue spiked to $121M in January 2025, at the height of memecoin speculation, and has since collapsed to $1.7M per month**. Hyperliquid, entering the arena only in late 2024, peaked at $119M in August 2025 and has since settled into a $30-50M monthly range.

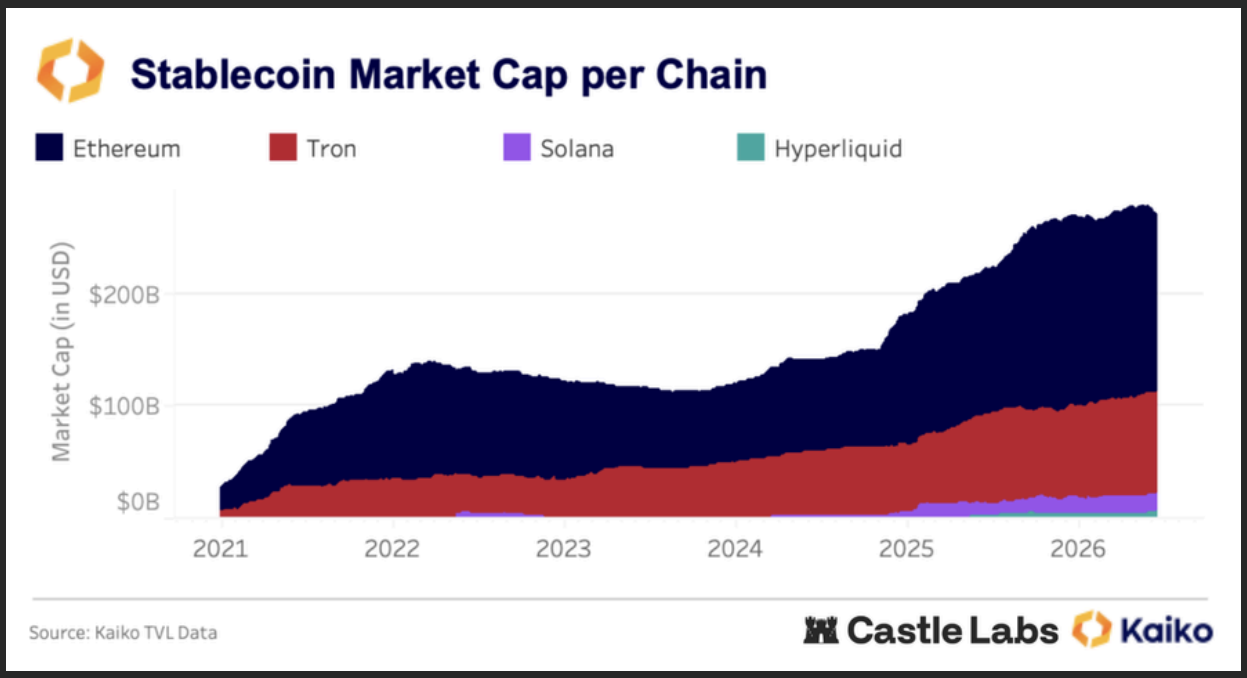
7.1 TVL Doesn't Pay the Bills

The four chains hold a combined $48B in TVL today, and almost all of it sits where the revenue isn't. Ethereum accounts for $37.5B of that total; it only earned $118M over the past year. Tron has $4.3B in TVL and Solana $4.6B, while Hyperliquid, the group's largest earner at $853M in trailing revenue, has the smallest TVL in the sample at $1.5B.



The stablecoin market cap chart is the only one in the set that goes up and to the right, which makes its relationship to revenue the most interesting. The four chains have a combined $270B in stablecoins, with 92% on Ethereum ($158B), Tron ($90.1B), Solana ($15.8B), and Hyperliquid ($6.3B).

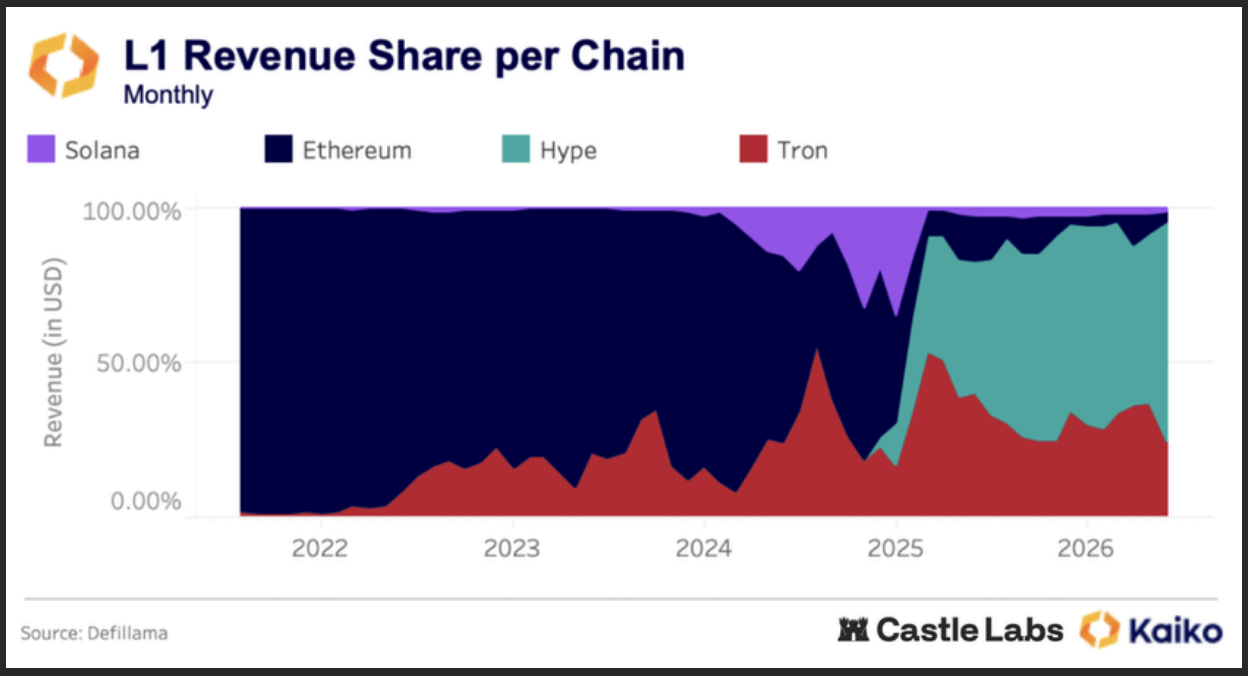
7.1 TVL Doesn't Pay the Bills



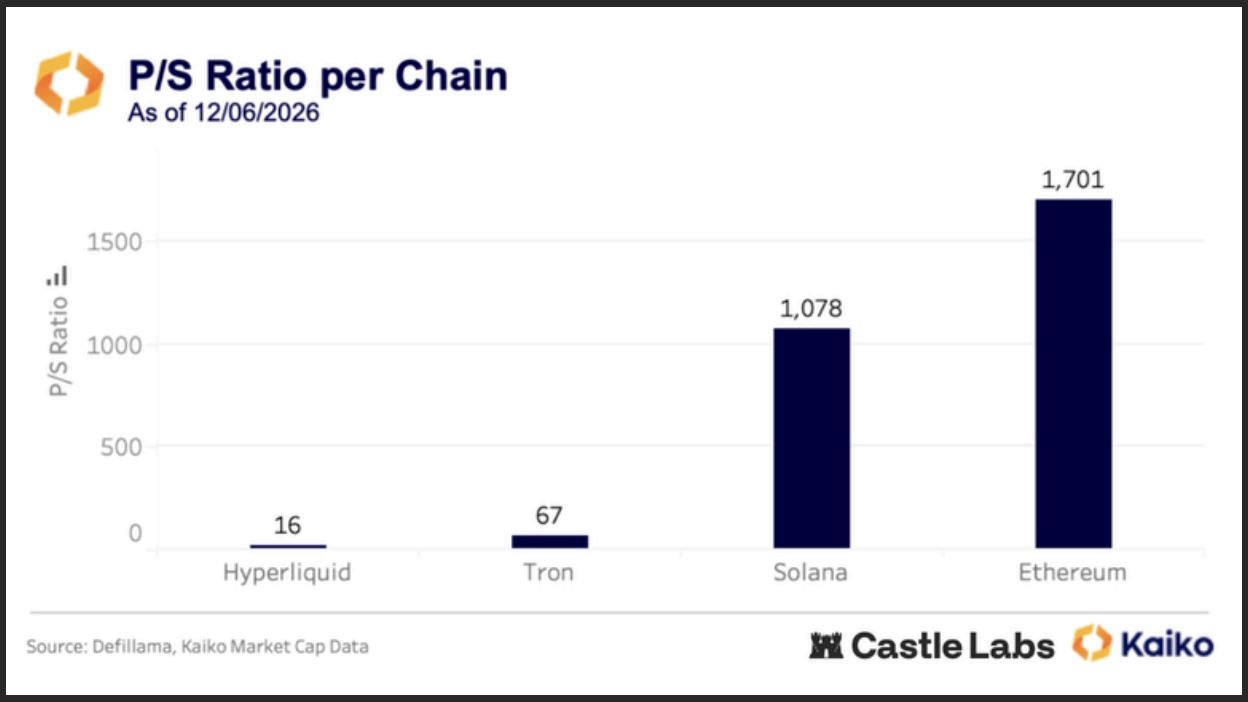
Looking across the four chains, a clear hierarchy emerges in which the networks that settle the most stablecoin volume, whether through raw transfers, payments, or contracts margined and settled in stables, are also the ones generating the highest revenues. Tron is a USDT settlement network for emerging markets, and transfer fees on that $90B in stablecoins produce $444M in annualised revenue. Hyperliquid arrives at the same outcome because every perpetual and spot contract on the exchange settles in stablecoins, so its $6.3B float clears through the order book continuously rather than sitting in wallets, generating $853M over the past year. Base's revenue is also worth a mention: a sequencer that earns more than Ethereum mainnet on current run rates, built on stablecoin payments and consumer transaction flow.

Ethereum still moves enormous volumes of stablecoin on its $158B base, but it sells the blockspace settlement runs on too cheaply. Solana never converted the memecoin frenzy into genuine, durable activity, and once speculative flow faded, its revenue collapsed.

7.1 TVL Doesn't Pay the Bills



7.2 P/S Ratio



Looking at price-to-sales ratios, we can see that Hyperliquid trades at 16x P/S and Tron at 67x, which, while rich by equity standards, are at least legible as growth multiples. Solana trades at 1,078x and Ethereum at 1,701x, valuations that cannot be justified by fee income under any assumption and that only make sense if the market is pricing the tokens as monetary assets rather than claims on cash flow. The necessary caveat is that P/S imported from equities assumes the token captures the revenue, which is defensible for HYPE with its buyback mechanics but contested for ETH and SOL.

8

Conclusion

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8. Conclusion

To generate revenue, chains have initially focused on the practicality of **“selling blockspace.”** Over time, as blockspace became increasingly cheap and the ecosystem grew, **liquidity** has increasingly become **the main differentiating factor.**

To account for this, chains instead focused on **horizontal expansion**, becoming settlement layers that attract liquidity and a large user base. Nonetheless, even after attracting tons of apps and value to the chain, the share these chains themselves get is increasingly small due to intensifying competition and the risks of mercenary capital, apps leaving after cashing in on incentives, etc.

This has led chains to change their path, focus on verticalisation and on owning key primitives to generate revenues.

Chains like Arbitrum, for example, launched Timeboost (a transaction-ordering mechanism) last year, which has made the DAO over $7.5 million so far. Another example is MegaETH, which chose to issue its own native stablecoin to fund token buybacks using yield from its reserve assets. Additionally, chains like Tempo are purpose-built with a curated set of partners for consumer adoption.

The biggest example of the verticalisation of revenue is **Hyperliquid,** which has **built multiple revenue sources and distribution channels** while maintaining control of the underlying stack and exposure to the revenue generated by its ecosystem. Given Hyperliquid's approach and sustained revenue, its valuation is more defensible than that of any other chain.

8. Conclusion

The newer chains are trying to take more control of revenue and gain exposure to the value they help produce, but for older chains, it remains a problem.

Will they manage to reinvent themselves?

Vertical integration cannot be a one-size-fits-all solution.

The Hyperliquid model does not work for everyone, and some might find out once it's too late.

Authors

Noveleader

Lead Research Analyst

Castle Labs

Francesco

Co-Founder

Castle Labs

Kaiko Research Team

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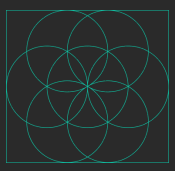

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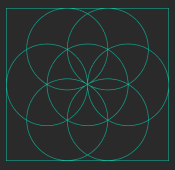

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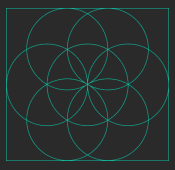

E-Mail
hello@castlelabs.io