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Coinbase's Stablecoin Business Is Not What You Think It Is*

The Mechanics Behind `USDC` Revenue, and Why the 2026 Renewal Changes Everything

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Stablecoins

THE SHORT VERSION

At \$1,348.8M in FY2025, stablecoin revenue is the single largest recurring revenue line Coinbase generates – larger than institutional transaction revenue, larger than staking, larger than every other subscription and services line. Almost none of the analysis written about it explains what it actually is.

ILLUSTRATIVE EXERCISE

This is a **demonstrative modelling exercise**, written to show a method: how the numbers are built, which assumptions carry the answer, and where the disclosure gaps are. It is **not a price target, not a recommendation, and not a view on the security**. Any valuation range shown is an output of the stated assumptions, not a judgement about what the shares are worth. See the [full disclosure](#).

Coinbase Does Not Operate a Stablecoin

Coinbase does not issue **USDC**. Does not hold its reserves. Does not set its yield or determine reserve allocation. Circle does all of that. What Coinbase holds is a contractual revenue-sharing arrangement – confirmed in Circle's S-1 – that entitles it to a defined share of the interest income Circle earns on the Treasury securities and money market funds backing **USDC**'s reserves.

The specific terms: **100%** of reserve interest on **USDC** balances held on Coinbase's own platform, and **50%** of reserve interest on **USDC** held through any other channel. When the Fed Funds rate is elevated, reserve income is substantial. When rates fall, it contracts – and Coinbase's [stablecoin](#) revenue contracts with it.

In FY2025, the average on-platform **USDC** balance was \$17.8B – an all-time high. Total **USDC** market cap as of February 25, 2026 was \$74.9B. Coinbase holds approximately **24%** of total **USDC** supply on its platform and earns **100%** of the interest on that share. The remaining ~**76%** is off-platform, on which Coinbase earns **50%**. Applied to an approx. **3.9%** effective net yield to Coinbase (after the on-platform/off-platform sharing split): \$1,348.8M. Up **48%** year-over-year – driven by balance growth, not rate movement, since rates were relatively stable year-over-year.

The Gross vs. Net Distinction

The **\$1,348.8M** is the gross figure. The net contribution is meaningfully lower, for a reason that doesn't appear in the stablecoin revenue line itself: Coinbase pays approximately **\$203M** per year in **USDC**-denominated rewards to users who hold **USDC** on-platform. Those payments are classified in Sales & Marketing – not as a reduction to stablecoin revenue – making the gross margin look cleaner than the economics actually are.

Adjust for the rewards subsidy and the effective net **USDC** contribution is approximately **\$1,146M**. Still the largest recurring revenue line in the business. Still growing. But roughly **15%** below the gross figure that headlines carry.

The 2026 Renewal: The Most Consequential Event in the Model

The revenue-sharing agreement renews every three years. The next renewal is in 2026.

Two things make this renewal different from routine contract cadence. First, Circle completed its IPO in June 2025 (ticker: CRCL). As a public company, Circle's shareholders can now scrutinize the revenue it cedes to Coinbase – and the cost of the **100%/50%** share appears explicitly in Circle's public filings. Second, Circle has already demonstrated its willingness to pay for distribution at market rates: it paid Binance **\$60.25M** upfront plus monthly fees to carry **USDC**. That deal is the market precedent.

If Coinbase's terms shift to **80%/40%** with the current rate and balance environment held constant, FY2026 stablecoin revenue falls by **\$220-300M** versus consensus depending on the rate path – **\$259M** at the modeled **3.5%** Fed Funds Rate. In a stress scenario where off-platform sharing drops to zero (a structure similar to the Binance agreement), the impact extends to **\$500-700M**. The consensus FY2026E of **\$1,436M** I've seen does not model any renewal scenario. It's a mechanical projection of current terms applied to a slightly adjusted rate path.

That **\$1,436M** consensus estimate should be treated as the ceiling of a wide distribution, not a point estimate.

Rate Sensitivity: The Other Variable

The renewal terms are the structural risk. Rates are the sensitivity variable.

Each 25bps Fed Funds cut reduces Coinbase's **USDC** revenue by approximately **\$90-95M** annually across the full on- and off-platform book at FY2026E balance levels – approximately **\$45M** from the on-platform balance (at **100%** share) and approximately **\$45-50M** from the off-platform balance (at **50%** share).

The Flywheel Risk Inside the Revenue Risk

In the flywheel framework, **USDC** revenue isn't merely one layer. It's the layer that makes the Adjusted EBITDA margin defensible. At **\$1.35B** in essentially zero-incremental-cost revenue – the infrastructure and operations are Circle's – **USDC** contributes disproportionately to the **44.4%** Adjusted EBITDA margin. Remove **\$220-300M** without a corresponding cost reduction, and the company-wide margin compresses by roughly **260-350** basis points.

Not catastrophic. But not priced into consensus either.

What to Watch

Any disclosure by Coinbase or Circle referencing “*revenue-sharing agreement terms*” or “*Circle partnership renewal*” in quarterly earnings calls or public filings is the most analytically significant data release of the year. Circle is now public (CRCL) – watch its 10-Q/10-K filings for margin disclosures on the Coinbase revenue share. Watch Coinbase quarterly calls for language that hedges the **USDC** revenue line. The absence of disclosure is also informative – it suggests the negotiation is ongoing and the outcome undetermined.

The consensus estimate is the ceiling. Model from there.

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