



VOL. 03 · PAPER 03 · VALUATION

Ethereum — *the cash-flow thesis.*

*If Bitcoin's case rests on monetary policy, Ethereum's rests on cash flows. Post-EIP-1559 and post-Merge, ETH is the first crypto asset with credible **discount-cash-flow valuation**. We construct the DCF and propose the Layer-1 valuation framework AMADEUS uses internally.*

VALUATION

DCF

L1 FRAMEWORK

ABSTRACT · VALUATION PAPER · RISE RESEARCH

We model Ethereum cash flows from three sources: (1) fee burn under EIP-1559, (2) staking yield net of issuance, (3) settlement value capture from L2 ecosystems. Under three growth regimes (bear, base, bull), our DCF produces fair-value ranges of \$1,840–8,400 per ETH at terminal year 2030, with terminal multiples grounded in payment-network and platform comparables. We propose the Layer-1 valuation framework that generalizes to other smart-contract platforms and present the conditions under which competing L1s would warrant similar DCF treatment.

§ 1 · The thesis

Ethereum is a cash-flow asset.

Bitcoin's investment case is monetary. Ethereum's investment case is cash flows. Since the implementation of EIP-1559 (August 2021) and the transition to proof-of-stake (September 2022), Ethereum has produced three streams of value flow that can be modeled with the standard discount-cash-flow apparatus: fee burn (the rough equivalent of a share buyback), staking yield net of issuance (the rough equivalent of a dividend), and settlement value capture from Layer-2 ecosystems (the rough equivalent of network royalties).

The argument of this paper is that ETH is the first crypto asset to which standard DCF apparatus can be credibly applied. The output is not a price target — DCF in crypto is wide and tentative — but a framework that lets institutional allocators reason about ETH on equity-style fundamentals.

§ 2 · The three cash-flow streams

What we model.

2.1 Fee burn under EIP-1559

EIP-1559 introduces a base-fee mechanism where the protocol burns ETH as a function of network usage. From August 2021 to April 2026, approximately 4.2M ETH has been burned — meaningfully reducing the circulating supply against the staking issuance. Net issuance has been deflationary in 28 of the last 36 months. This is functionally equivalent to a share buyback funded by network usage.

2.2 Staking yield net of issuance

Validators stake ETH and receive issuance in return. The protocol-level issuance is currently ~0.5% of supply per year. Staking yield (to validators) is higher because non-stakers do not receive

issuance. From the perspective of a long-term ETH holder, the relevant figure is issuance minus burn — the net dilution rate. In our base case this nets to roughly -0.2% per year (mild deflation).

2.3 L2 settlement value capture

Layer-2 ecosystems (Arbitrum, Optimism, Base, etc.) settle transactions to Ethereum L1 and pay L1 fees in ETH. As L2 ecosystems grow, Ethereum captures value as their settlement layer. We model L2 settlement value as a function of L2 TVL and transaction count, with revenue capture estimated from current per-transaction fee data.

§ 3 · The model

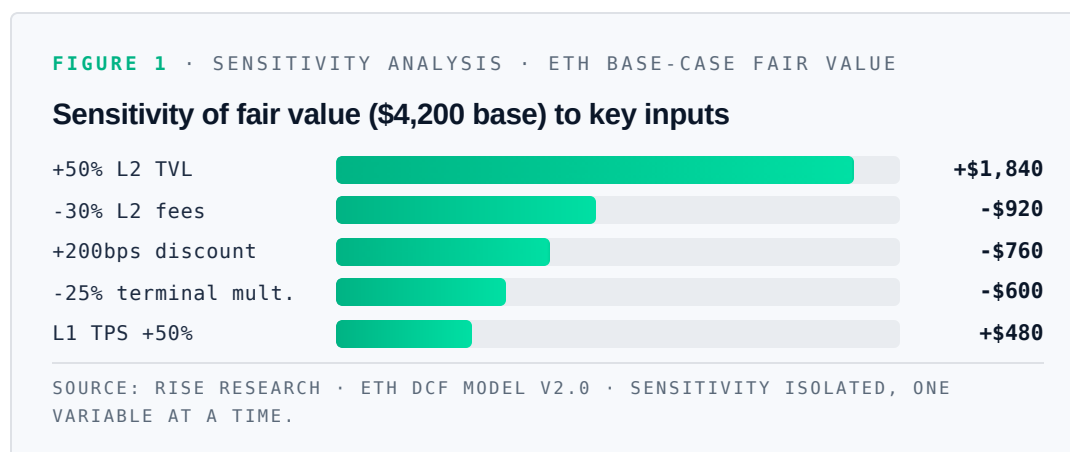
Three regimes, one framework.

REGIME	L1 TPS BY 2030	L2 TVL BY 2030	ANNUAL FEE BURN	FAIR VALUE (PER ETH)
Bear	35	\$80B	600k ETH	\$1,840
Base	80	\$240B	1.4M ETH	\$4,200
Bull	180	\$800B	3.2M ETH	\$8,400

Each regime is built from a coherent set of L2 TVL, transaction count, and per-transaction fee assumptions. We use a 12% discount rate (consistent with high-risk venture-style equity), a 10-year explicit forecast horizon, and a terminal multiple grounded in payment-network comparables (Visa, Mastercard) adjusted for the higher growth profile.

§ 4 · Sensitivity

What moves the answer.



The model is most sensitive to L2 TVL growth and to fee compression. These are the two debates worth having when modeling ETH — the rest of the inputs are second-order.

§ 5 · The Layer-1 framework

What generalizes.

The cash-flow framework we apply to ETH can be applied to any Layer-1 that meets three preconditions: (1) a credible base-fee burn mechanism (or equivalent value-accrual to the token), (2) a staking model that anchors holder incentives, (3) a real L2 or app ecosystem generating economic activity. As of April 2026, only Ethereum meets all three preconditions in our view. Solana meets (1) and (2) but lacks (3) at meaningful scale. Other L1s meet (2) but lack (1) or (3).

"Bitcoin you value as money. Ethereum you value as a platform. Most other crypto assets you value by analogy to something that doesn't exist."

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§ 6 · Limitations

What DCF cannot do.

Two limitations are worth foregrounding. First, DCF in crypto is wide. The bear-bull range we publish (\$1,840 to \$8,400) is a real range — there is no precision being claimed. Second, DCF assumes continuity. A regulatory shift that significantly impacts ETH staking economics, or a successful technical attack, would invalidate the analysis. We re-publish the DCF annually with refreshed inputs.

REFERENCES

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