

Chainlink (LINK) - Investment Memo

Category: Data Infrastructure

Sector: Oracle Middleware

Position Type: Core Allocation (Target: 5 to 7%)

Current Price: \$14.26 (June 12, 2025)

Market Cap: ~\$9.22B | **FDV:** ~\$14.0B | **Circulating Supply:** ~657M LINK | **Total Supply:** 1B LINK

Overview

Chainlink is the most widely adopted decentralized oracle network, securing ~\$75B in value across DeFi, RWAs, gaming, and cross-chain messaging. Chainlink oracles power over 2,150 dApps and protocols, delivering over 1B data points across more than 700 active oracle networks. With services spanning price feeds, verifiable randomness (VRF), automation, Proof of Reserve, and CCIP for cross-chain messaging, Chainlink operates as the de facto data and interoperability layer for Web3.

Its decentralized architecture enables trust-minimized access to off-chain data and computation. Chainlink also leads enterprise blockchain integration through partnerships with SWIFT, DTCC, ANZ, and JPMorgan, making it a likely bridge between traditional finance and public blockchains. With \$40.9T in assets already exposed to LINK infrastructure, institutional adoption has moved from pilot to production scale.

Investment Thesis

1. **Market Dominance:** Chainlink commands 65% of oracle secured market share with deep integrations across DeFi blue chips like Aave, GMX, and Synthetix. Its broad protocol adoption and first mover advantage create high switching costs and entrenched network effects.
2. **Economics 2.0 Value Accrual:** Economics 2.0 introduced staking (v0.2 live with 45M LINK fully staked) and revenue sharing pilots with protocols like GMX. Protocol fees (~\$2.97M annualized) are expected to grow 10 to 100x as CCIP, Data Streams, and other services scale, giving LINK token a fundamental value floor based on yield.
3. **Enterprise Infrastructure Standard:** SWIFT's CCIP integration and JPMorgan's tokenized treasury pilot evidence Chainlink's role as a TradFi middleware standard. Banks and custodians are now building directly on CCIP infrastructure. These use cases could drive

\$500M to \$2B+ in annual fees within 3 to 5 years if even a modest slice of institutional volume flows onchain.

4. **AI and DePIN Expansion:** Beyond DeFi and TradFi, Chainlink expands into AI and DePIN integrations. Chainlink Functions and DECO enable verifiable off-chain computation and privacy-preserving data sharing, essential for AI agents interacting with smart contracts and for real-world physical networks.
5. **Regulatory Tailwinds:** The GENIUS Act's likely passage mandates proof of reserves for \$250B+ in stablecoins, creating guaranteed compliance demand for Chainlink's market-leading Proof of Reserve service. With \$40.9T in assets already relying on Chainlink infrastructure through enterprise deployments like JPMorgan's Base integration, regulatory adoption represents massive addressable market expansion rather than speculative future demand.

Key Catalysts

- **GENIUS Act Implementation:** Regulatory requirement for proof of reserves across \$250B+ stablecoin market creates mandatory adoption catalyst with quantifiable revenue opportunity.
- **Fee Sharing Expansion:** Revenue partnerships continue beyond GMX, while SCALE and BUILD programs onboard new protocols with direct fee-sharing agreements.
- **Staking v1.0 Launch:** Introduction of slashing, delegation, and larger pool caps will improve yield profile and participation rates across the network.
- **Enterprise Momentum:** SWIFT, Euroclear, and DTCC pilots progress toward production implementation, building on existing \$40.9T infrastructure exposure.
- **AI and IoT Capabilities:** Chainlink Functions and DECO open untapped markets beyond crypto-native DeFi applications.

Risks

- **Token Overhang:** Approximately 30% of total LINK supply still held by Chainlink Labs, with estimated 7% annual unlock schedule creating potential selling pressure.
- **Fee Capture Nascency:** Only ~\$1M in protocol revenue currently accruing to service providers, with stakers not yet widely rewarded from network usage.
- **Competitive Pressure:** Fast-growing alternatives like Pyth in high-frequency applications and RedStone in custom data verticals increase market competition.

- **Centralization Concerns:** Governance remains centralized with limited community control over treasury, roadmap, and pricing structures, creating perceived centralization risk in node operations.

Valuation Framework

Phase 1: Fee Share (2025 to 2026)

- Anchored in \$2 to 50M protocol fees, with 50% fee share to LINK stakers.
- \$13.9 fair value under base case: \$50M fees, 4% APY on 45M LINK staked.
- Current market pricing reflects partial fee growth execution only.

Phase 2: Enterprise Adoption (2027 to 2028)

- Projects \$500M to \$2B in TradFi service revenue through CCIP and data standards.
- GENIUS Act compliance adds \$250B+ mandatory stablecoin PoR market
- Implies \$15 to \$60 valuation depending on share rate and multiple.
- 18 to 36 month enterprise onboarding timeline is realistic based on SWIFT rollout.

Phase 3: TAM Realization (2029 to 2030)

- Assumes 12.5% Web3 penetration of \$1.24T financial infrastructure TAM.
- Long term range: \$100 to \$400 based on toll like monetization of cross chain messaging and financial data delivery.

Positioning Rationale

Chainlink is held as a core allocation (5 to 7%) in our infrastructure sleeve due to its scale, resilience, and accelerating upside potential. The investment thesis is structured around a multi-phase opportunity set, where Phase 1 (fee share yield) offers a valuation floor, while Phases 2 and 3 (enterprise rails and TAM capture) provide disproportionate upside potential over a 3 to 5 year horizon.

The combination of regulatory mandates (GENIUS Act), proven enterprise scale (\$40.9T in assets), and expanding service portfolio positions Chainlink as essential infrastructure rather than speculative technology. Its current price reflects fee-sharing fundamentals but significantly undervalues Chainlink's role as the middleware standard for institutions and a toll layer for tokenized assets and AI-driven automation.

With mandatory compliance driving adoption and existing enterprise infrastructure proving scalability, Chainlink represents asymmetric upside with a regulatory moat that competitors cannot easily replicate.

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