Coinbase Diversification Analysis

The Problem

In Q3 2025, Coinbase reported $1.9 billion. One quarter earlier, it was $1.5 billion. And one more quarter before that, it was $2.0 billion. Coinbase's revenue volatility is a structural part of the business. Coinbase makes the majority of its revenue through trading fees, but trading volume is only high when crypto prices, such as BTC, are high. Thus, when BTC drops, trading volume drops, and Coinbase revenue drops. I analyzed 20 quarters of Coinbase earnings data against BTC Price and found that trading revenue was highly correlated with BTC from 2020-2022 (0.931). This is a problem, not necessarily because some revenue is correlated with BTC price, but because the vast majority of Coinbase's revenue is dependent on it. Indeed, the lower 0.117 interest income revenue correlation matters because it proves that BTC-decorrelated revenue already works inside Coinbase. The question is how Coinbase can further diversify their revenue and what other products could replicate that property. Currently, the majority of Coinbase's revenue being dependent on BTC price creates a structural revenue dependency that is invisible in bull markets, because rising crypto prices mask it. Total revenue looks healthy even as the underlying composition remains dangerously concentrated.

Q1–Q3 2025: Two Businesses, Two Rhythms

	Q1'25	Q2'25	Q3'25	Δ Range
Transaction Revenue	$1,262M	$764M	$1,046M	±39%
Subscription & Services	$698M	$656M	$747M	±7%
Total Revenue	**$2.0B**	**$1.5B**	**$1.9B**	**±26%**

Transaction revenue swings 25–40% quarter to quarter based on factors entirely outside Coinbase's control, whereas less BTC dependent revenue streams are more stable.

The problem becomes more complex when we take into account the crypto market maturing. Crypto volatility continues to decline (average digital asset volatility dropped from 79% in 2021 to 57% in 2025), which means even future bull markets may produce lower trading revenue peaks. Indeed, my analysis revealed a deeper problem than simple BTC correlation. From 2023-2025, revenue still rises and falls with BTC (0.728), but slightly less than before. This means Coinbase is now getting less revenue for each dollar of BTC price. Even when BTC recovers, trading revenue doesn't fully come back. So Coinbase is still exposed to BTC downside, but getting diminishing returns from BTC upside. Thus, Coinbase must find a way to diversify revenue independently of BTC.

What Coinbase Is Doing

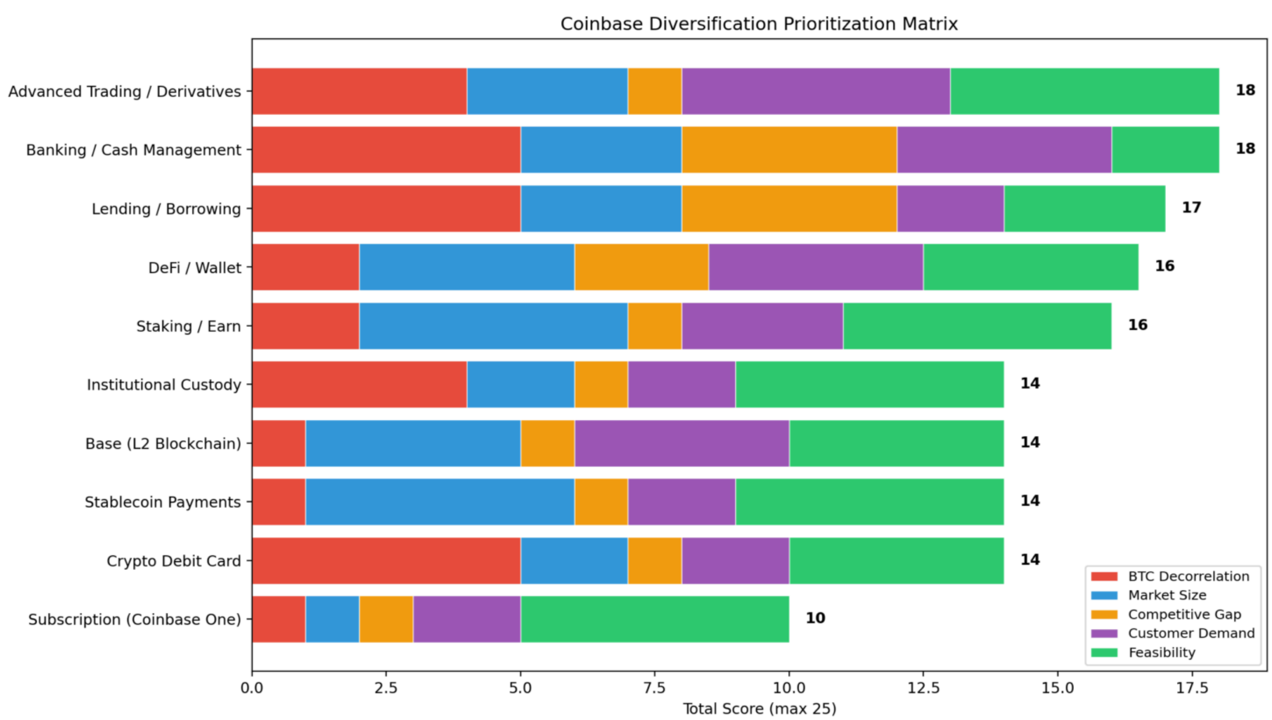
Coinbase recognizes the problem and it appears to be their biggest priority. At IPO, Brian Armstrong said he wanted 50%+ of revenue from non-trading sources within a decade. The company is executing aggressively: a $2.9 billion Deribit acquisition bringing 75%+ global crypto options market share in-house; USDC stablecoin revenue growing every quarter regardless of market conditions; 264 institutional clients using crypto-as-a-service infrastructure (JPMorgan, Citi, BlackRock, Stripe, PayPal); Coinbase One subscriptions with a new credit card; the Everything Exchange vision expanding tradable assets from 300 to 40,000; and payment APIs live with Shopify for B2B cross-border payments.

The progress is definitely measurable. Subscription and services revenue grew from under $200 million quarterly when Coinbase went public to nearly $750 million in Q3 2025. Retail transaction revenue dropped from over 70% of the business in FY2022 to roughly 50% today. CFO Alesia Haas explicitly said on the Q3 analyst call: "We've been so focused on revenue diversification, and we're really pleased with the efforts we've made."

But with this many initiatives running simultaneously, the real question shifts from should Coinbase diversify to what should Coinbase prioritize? It's essential for Coinbase to identify what will have the most impact and accelerate it, while inevitably putting less impactful projects on the backburner. So that's what I analyzed.

Findings

I analyzed 20 quarters of Coinbase earnings data against different revenue streams, researched market sizes, researched competitors, and analyzed Google Trends and Reddit NLP sentiment. Then I scored ten diversification opportunities across five dimensions: BTC price decorrelation, addressable market size, competitive positioning, implementation feasibility, and customer demand. Each dimension was weighted based on how directly it addresses the structural dependency problem.



Two Tracks

The opportunities cluster into two distinct tracks.

Track 2 — Strengthen the Core. Derivatives, international expansion, asset coverage, advanced trading tools. These make the existing trading business bigger, more liquid, and more global. This is where Coinbase is primarily executing: Deribit, U.S. perpetual futures, DEX integration, 40,000 tradable assets. This is crucial work, but it deepens rather than decorrelates the crypto dependency. Derivatives are stickier than spot trading (Haas noted options are "more durable during peaks and valleys"), but they're still crypto-native revenue that moves with the market.

*Track 1 — Build New Revenue***.** Banking and cash management, lending, institutional services, payments infrastructure. These generate revenue independent of crypto trading cycles. Coinbase is making progress in some of these areas. For example, lending through Morpho crossed $1 billion in open loan collateral, and stablecoin payments are scaling with Shopify. However, one of the highest-scoring opportunities (banking/cash management) appears to be absent from Coinbase's strategy.

The Gap: Banking and Cash Management

Banking/cash management scored tied highest on my prioritization matrix. It has near-zero BTC correlation, a massive addressable market, strong competitive positioning (110+ million verified users who already trust Coinbase with their money), and a proven viability at direct competitors (Robinhood, CashApp).

It is also the only top-scoring opportunity that Coinbase has explicitly rejected. In Q1 2025, when asked about a bank charter, Armstrong said: "I actually kind of like the idea of not having the bank charter. It limits your product velocity." No analyst has asked about banking since, and it doesn't appear in any of the nine earnings documents I analyzed across three quarters. The entire analyst and commentator ecosystem has converged on stablecoins, derivatives, and institutional infrastructure as the consensus diversification vectors.

Armstrong's reasoning is sensible. A bank charter brings regulatory burden that could slow product velocity. It shifts Coinbase's identity from "crypto-native financial platform" toward "fintech that also does crypto," which could dilute the brand positioning that currently commands premium trading fees and wins institutional mandates. Moreover, shifting brand identity for a company as large at Coinbase is no small feat. These are trade-offs that my quantitative framework doesn't fully capture.

Implications

Coinbase's diversification efforts are accelerating, but they are all concentrated on making crypto more useful rather than making Coinbase useful without crypto.

The Everything Exchange expands what people can trade on crypto rails. Stablecoin payments expand what people can pay for with crypto. Derivatives expand how people can trade crypto. Each of these is valuable, and collectively, they are building a more resilient business, which we can readily see through subscription revenue's steady growth.

However, there is still no product that makes someone open Coinbase on a day when they don't care about crypto at all. That's what banking would provide, and what may currently be missing. Robinhood and CashApp demonstrated that a trading platform can become a daily financial hub through direct deposit, bill pay, and cash management. Coinbase has the user base, the trust, and the infrastructure to pursue this. Thus, the gap is quantifiable and invisible to the market consensus.

What makes this analysis interesting is that Coinbase is pursuing the same goal through a different path. Instead of becoming a bank to keep users engaged when crypto is quiet, they're trying to make USDC a daily-use payment tool. They're trying to get daily engagement independent of Bitcoin. However, they're doing it through stablecoin payments infrastructure, such as Shopify integration, B2B cross-border APIs, and the Coinbase One Card rather than traditional banking. Diversifying through banking is a tougher but more secure path, with competitors like Robinhood and CashApp proving it works. However, if stablecoin payments can achieve the same stickiness through a crypto path, that bet may pay off better long term. Moreover, the strategy is simpler; it's a crypto company building on crypto rails. Whether it pays off will be very interesting.

Limitations

First, the correlation analysis covers 20 quarters dominated by crypto's most extreme cycle (2021 mania through 2022 crash through 2024 recovery) and may overstate future revenue volatility as the market matures. Moreover, the banking recommendation doesn't fully account for strategic coherence costs such as regulatory complexity, brand dilution, the opportunity cost of executive attention. Additionally, I assumed equal weight between different diversification dimensions. However, it may be that Coinbase wants to diversify, but focus on feasibility, which means advanced trading and derivatives come out well on top. Moreover, there may simply be information inaccessible to me from inside Coinbase that better justifies and explains their diversification strategy.