



# Investment Thesis

## Arbitrum

### ARB

#### Basic Information

Token type	Native Currency
Price	\$0.47
GCCS Classification	Blockchain Accelerator, Infrastructure, Native Currency
Sector	Blockchain Accelerator

Source: CoinGecko, Data as of November 4, 2024

#### Key Figures

Price Range (1Y)	\$0.47 - \$2.39
All-Time High	\$2.39
All-Time High Date	12 January 2024
Down From All-Time High	79.20%
Market Capitalization	\$1.91B
Trading Volume (24H)	\$392.48M
Circulating Supply	4.09B ARB
Maximum Supply	10B ARB
Total Value Locked (TVL)	\$2.90B
Annualized Protocol Revenue	9.32M

Source: CoinGecko, DeFiLlama, Artemis  
Data as of November 4, 2024

#### Overview

**Arbitrum is a Layer 2 solution built to scale Ethereum by providing faster and cheaper transactions while maintaining Ethereum's security guarantees.** Launched by Offchain Labs in 2021, Arbitrum uses an Optimistic Rollup protocol that bundles transactions and submits them to Ethereum, leveraging its security while reducing costs.

Arbitrum offers a seamless experience for users and developers: **you can deploy smart contracts, use decentralized applications, and interact with the Ethereum ecosystem at significantly lower gas fees.** The network is governed by ARB token holders, who can stake tokens and participate in decision-making. **The Arbitrum Rollup adopts an "innocent-until-proven-guilty" model, meaning transactions are assumed valid unless proven fraudulent,** ensuring efficiency and scalability.

Arbitrum has introduced several innovations to enhance its ecosystem. The Nitro upgrade increased throughput by 7x, reduced gas fees, and improved compatibility with Ethereum's tools. Arbitrum Nova, launched in August 2022, is designed for gaming and social apps that require lower fees and lighter security guarantees. The Orbit Mainnet, recently introduced, allows developers to build customizable networks on Arbitrum while paying fees to the network's sequencer. A staking program, launched in November 2023, lets users lock tokens for up to a year to earn rewards from the \$100M treasury allocation.

The network's revenue is currently driven by fees collected by its sequencer, a dedicated full node responsible for bundling and submitting transactions. **What sets Arbitrum apart is its multi-layer fraud-proof system, adding an extra layer of trust to its rollup architecture.**

- **2021:** Arbitrum launched by Offchain Labs.
- **August 2022:** Arbitrum Nova launched for gaming and social apps.
- **March 23, 2023:** Native ARB token launched.
- **2023:** Nitro upgrade enhanced throughput by 7x and reduced gas fees.
- November 2023: Staking program activated, offering ARB holders access to a \$100M yield.
- **2024:** Orbit Mainnet launched for building customizable Layer 3 networks.

#### Key Takeaways

- **Arbitrum contributes revenue directly to Ethereum** to help scale Ethereum and drive its ecosystem's growth, and it can be considered a **high-beta play for Ethereum.**
- Arbitrum is a scalability solution for Ethereum; users can access Ethereum's applications for **less gas fees** and **faster execution.**
- **ARB** is used for **governance, staking,** and **supporting ecosystem growth** through several airdrops.

#### Risk Factors

- **Centralization Risk:** The **centralized sequencer can pose a security risk** since it can upgrade the network without governance approval and potentially compromise funds.
- **Competitive Risk:** Other scaling solutions like **ZK-EVM networks** could jeopardize the market share of both networks as they're more secure and aligned with Ethereum

## Price Performance



Source: CoinGecko. Data from November 5, 2023 - November 4, 2024

## Total Value Locked



Source: Artemis. Data from November 5 2023 - November 4, 2024

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