



Investment Thesis

Arbitrum ARB

Token type	Native Currency
Price	\$1.53
GCCS Classification	Scaling Platform, Infrastructure, Native Currency
Sector	Scaling Platform

Key Figures

52-Week Range	\$0.77 - \$2.26
Market Rank	#41
Market Capitalization	\$4,636,970,197
Volume (24h)	\$202.14M
Circulating Supply	2,653,939,384
Max Supply	10,000,000,00
Annualized Protocol Revenue	\$27.88M
ATH	\$2.26
ATH Date	January 12, 2024
Down from ATH	-32.3%

Source: CoinGecko, DeFi Llama, Token Terminal, Staking Rewards. Data as of April 8, 2024

Overview

We're at the internet dial-up stage of crypto, where infrastructure needs to scale up to meet the demand of intensive applications, and Arbitrum is at the forefront of this vertical. **Arbitrum is a Layer 2 smart contract platform for decentralized applications on Ethereum.** The scalability solution batches users' transactions and submits them to Ethereum, paying a share of the transaction fees to Ethereum validators. Arbitrum chains can do everything you do on Ethereum — use Web3 apps, deploy smart contracts, etc., but your transactions will be cheaper and faster. **The Arbitrum Rollup is an Optimistic rollup protocol that inherits Ethereum-level security.** Therefore, Ethereum adopts an innocent-until-proven-guilty approach with Arbitrum transactions. In that sense, an Arbitrum Rollup chain runs as a sub-module within Ethereum. ARB tokenholders own and govern the protocol. **Offchain Labs, Arbitrum's parent company, currently runs one sequencer and takes a cut of the total transaction fees paid by users, which is one of the key drivers of revenue for the foundation at the moment.** This sequencer is a specially designated Arbitrum full node, which, under normal conditions, is responsible for submitting users' transactions onto the Ethereum mainnet. **What sets Arbitrum apart from Ethereum's suite of scalability solutions is its multiple-fraud-proof system, and its token is more useful on the back of its staking program,** which was activated earlier in November. Arbitrum's investors include Pantera Capital, George Lambeth, Jake Seid, Compound VC, Coinbase Ventures, and BlockNation.

- Offchain Labs founded **Arbitrum and launched in 2021.** Arbitrum launched its native **ARB token on March 23, 2023**, with a maximum circulating supply of 10 billion.
- **Nitro upgrade** enhanced throughput by 7X, **reduced gas fees**
- Offchain Labs launched **Arbitrum Nova in August 2022** for gaming and social apps that require less security.
- Arbitrum adopted a **staking program** in November, allowing tokens to be locked up to a year to share a yield of \$100M from the treasury rather than ongoing network activities.
- Arbitrum also recently launched its **Orbit Mainnet** for applications wanting to build customizable networks on Arbitrum's blockchain. In return, these applications pay fees to the sequencer.

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.

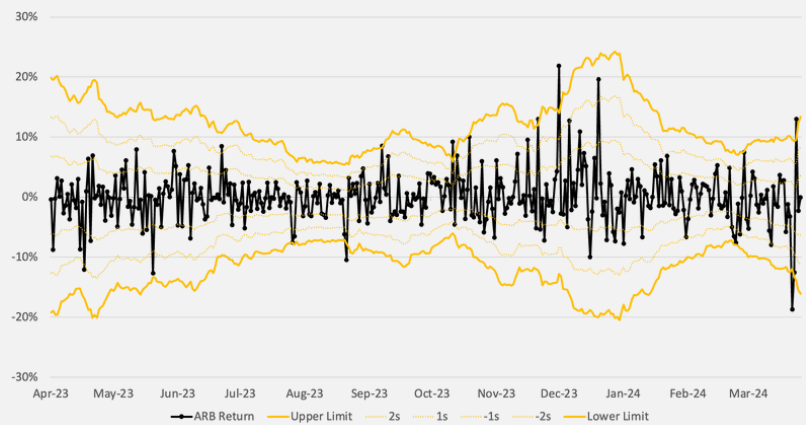
Risk factors

- **Regulatory clarity** for scalability solutions is yet to be reached.
- The **centralized sequencer can pose a security risk** since it can upgrade the network without governance approval and potentially compromise funds.
- Other scaling solutions like **ZK-EVM networks** could jeopardize the market share of both networks as they're more secure and aligned with Ethereum

Figure 1:
Price Performance



Figure 2:
ARB 1-Year Implied Daily Volatility



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