



Investment Thesis

Optimism OP

Token type	Native Currency
Price	\$3.19
GCCS Classification	Scaling Platform, Infrastructure, Native Currency
Sector	Scaling Platform

Key Figures

52-Week Range	\$1.08 - \$4.69
Market Rank	#48
Market Capitalization	\$1.62B
Volume (24h)	\$189.11M
Circulating Supply	1,045,379,867
Max Supply	4,294,967,296
Annualized Protocol Revenue	\$10.28M
ATH	\$4.69
ATH Date	March 10, 2024
Down from ATH	-32.0%

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 Optimism is at the forefront of this vertical. **Optimism is a Layer 2 smart contract platform for decentralized applications on Ethereum**, designed to utilize the strong security guarantees of Ethereum while reducing its cost and latency. Optimism bundles users' transactions and submits them to Ethereum, paying a share of the transaction fees to Ethereum validations. **Optimism is an Optimistic roll-up protocol that inherits Ethereum-level security.** Therefore, Ethereum adopts an innocent-until-proven-guilty approach with Optimism transactions. The Optimism team, token-holders, and investors own and govern the protocol. **Optimism's block production** is primarily managed by a single party, called the "sequencer," which helps the network by providing transaction confirmations and state updates, constructing and executing L2 blocks, and submitting user transactions to Ethereum. Like Ethereum, the sequencer has a mempool; however, it is kept private to avoid opening opportunities for MEV. Nonetheless, **further decentralization is in Optimism's roadmap.** Optimism's investors include Paradigm, a16z, and IDEO CoLab Ventures.

- Jinglan Wang, Karl Floersch, and Kevin Ho founded Optimism, whose **Mainnet launched in January 2021**, and **OP token launched on May 31, 2022.**
- **Bedrock upgrade** went live on June 6, 2023, cutting deposit times on Optimism from **10 to 1 minute**, reducing Optimism's **gas fees by 40%**, and introducing a multi-client ecosystem and a two-step withdrawal system for hardened security.
- The Bedrock upgrade also paved the way for **OP Stack**, a custom framework to build standalone networks that help **drive more revenue toward Optimism** and create an interoperable ecosystem. Networks built on OP Stack include **Base, Zora, OpBNB, and WorldCoin.**
- In August 2023, Optimism forged a **revenue-sharing agreement** with networks built on OP Stack to accumulate revenue and drive the ecosystem's growth.
- Coming soon, the **Cannon Fraud Proof** implementation will allow zero-knowledge proofs to be integrated into the Superchain, enabling **cheaper security verification and interoperability** across all OP Stack networks.

Key takeaways

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

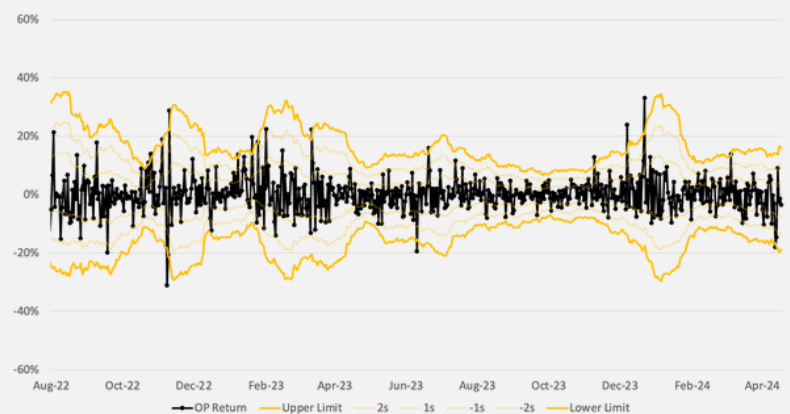
Risk factors

- **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.
- Scaling solutions like **ZK-EVM networks** could jeopardize the market share of networks like Optimism as they're more secure and aligned with Ethereum
- Optimism currently lacks **fraud proofs**, which creates a security risk as users have to trust that the Optimism Security Council is acting honestly, but can't verify it themselves.

Figure 1:
Price Performance



Figure 2:
OP 2-Year Implied Daily Volatility



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