



Investment Thesis

Uniswap UNI

Basic Information

Token type	Governance Token
Price	\$6.78
GCCS Classification	Decentralized Exchange, Decentralized Finance, Governance Token
Sector	Decentralized Finance

Source: CoinGecko, Data as of November 4, 2024

Key Metrics

Price Range (1Y)	\$4.67 - \$15.39
All-Time High	\$44.92
All-Time High Date	3 May 2021
Down From All-Time High	84.85%
Market Capitalization	\$4.24B
Volume (24h)	\$239.63M
Circulating Supply	600.43M UNI
Max Supply	1B UNI
Total Value Locked (TVL)	\$3.71B
Annualized Protocol Revenue	\$510.70M

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

Overview

Uniswap is a decentralized exchange (DEX) protocol built on Ethereum that is used to exchange ERC-20 tokens without the need for sellers and buyers to create demand and liquidity. **Uniswap works with two fundamental tools that differentiate it from its traditional and centralized counterparts: Liquidity Pools and Automated Market Maker Mechanism (AMM).** Liquidity pools are token reserves filled by both bots and individuals, with the latter enjoying the incentive of Uniswap's 0.3% transaction fee on every token swap on the DEX. All providers have to do is add a pair of tokens to a smart contract tradeable by other users. Anyone can be a liquidity provider so long they provide ETH and the quoted trading token to be swapped to the current Uniswap exchange rate. **These liquidity pools prevent Uniswap from serving as a market maker, creating a more efficient ecosystem. The AMM determines the prices of the assets in the pool by maintaining a "constant product" based on the amount of liquidity on both sides of the pool.** The larger the amount of ETH that a user wishes to buy, the larger the premium charged. This way, there's always liquidity, no matter the trade size.

- **November 2018:** Ex-Siemens analyst Hayden Adams launched Uniswap on Ethereum to pioneer the automated market maker, which would be later forked as a standard for decentralized exchanges.
- **September 2020:** Uniswap's token launched with \$11M raised.
- **May 2021:** Uniswap V3 launched, introducing new options to allocate liquidity within a certain price range, revolutionizing capital efficiency, and cementing Uniswap's leadership in DeFi.
- **November 2021:** Uniswap announced that it has contracted with a blockchain intelligence company, TRM Labs, to conduct forensic research on wallet addresses for compliance purposes.
- **October 2024:** Uniswap announced it'll switch to an Ethereum-based L2 on Optimism aimed at unifying liquidity, reducing transaction costs by 95%, and enabling sub-second transaction speed.

Key takeaways

- Uniswap is the world's largest DEX by trading volume and TVL, dominating the DEX vertical by almost **35%**. Allows users to trade cryptocurrencies directly without intermediaries or the need to give up custody of assets.
- Its AMM, an automated liquidity protocol, helps facilitate faster and more efficient trades.
- Uniswap will transform into Unichain by the end of 2024, allowing the UNI token to switch from a governance token into a utility token that will interact with the L2 and can be staked to protect the network to potentially earn revenue for holders.

Risk factors

- **Regulatory Risk:** Uniswap faces regulatory uncertainty, underscored by the SEC's issuance of a Wells Notice earlier this year. However, a change in administration could potentially improve the regulatory environment.
- **Technology Risk:** The migration to Unichain introduces technical risks, potentially disrupting user experience due to fragmenting liquidity
- **Security Risk:** As with all DeFi protocols, Uniswap is vulnerable to smart contract exploits or other forms of attack, particularly as new features are introduced. The integrity of the AMM mechanism and liquidity pools must remain robust to maintain user confidence.

Price Performance



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

Total Value Locked



Source: Artemis. Data from November 5, 2020 - November 4, 2024

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