

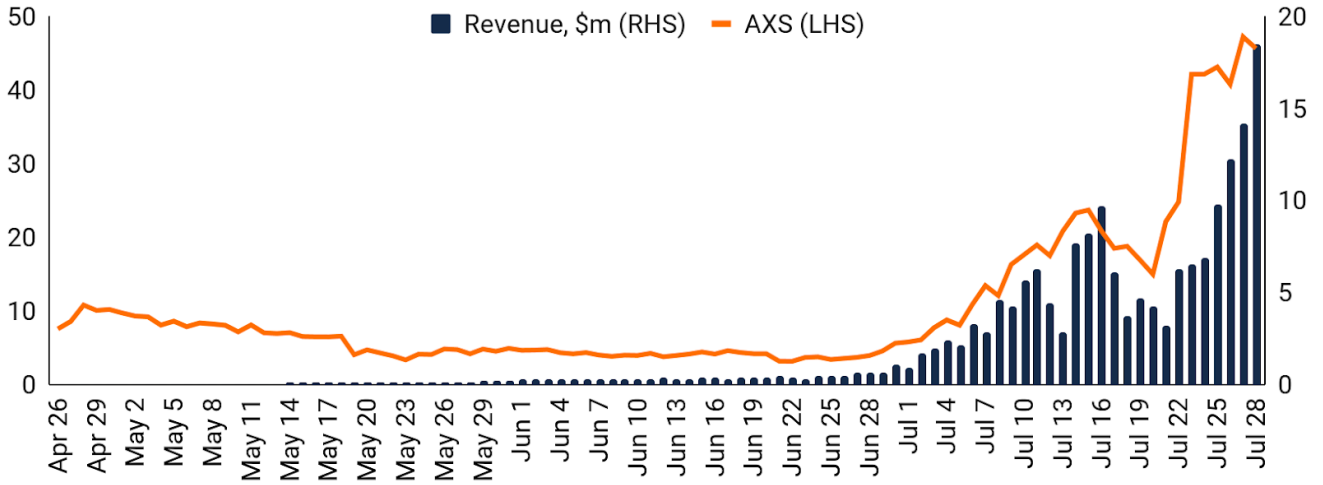
COTW: Axie Infinity Goes Parabolic

In this week's Chart of the Week, we review Axie Infinity's meteoric rise, which has seen revenues and the AXS token increase 65x and 10x, respectively, since the beginning of June.

- The Basics:** Axie Infinity is a blockchain-based, digital pet universe play-to-earn game created by Sky Mavis. With elements of Pokémon, Tamagochi, and CryptoKitties, Axie Infinity players collect, breed, and battle NFT-based fantasy Axie characters to earn tokens through their gameplay and contributions to the digital world. Players battle against other players or non-player characters in teams of three Axies to earn Smooth Love Potion (SLP), with battle outcomes determined by energy/cards played and the category of the Axies fighting. Axie breeding produces offspring determined by a probabilistic genetic algorithm, requires AXS and SLP, and is limited in the number of times each Axie may be bred. Players can earn well in excess of \$500 per month by selling the tokens they earn from playing the game or by selling/lending the Axies they've bred. Axie Infinity was initially deployed on Ethereum, but is now on an Ethereum-compatible side-chain created by Sky Mavis called Ronin. Axie Infinity currently has well over 300,000 daily active players, many of which are based in the Philippines and Venezuela.
- Tokens:** There are two tokens in the Axie Infinity universe. The first is Axie Infinity Shards, or AXS, which is an ERC-20 governance token that allows (or will allow) holders to earn staking rewards, use for in-game payments, and participate in governance. More information on AXS tokenomics can be found [here](#). Smooth Love Potion, or SLP, is minted through gameplay as a reward to Axie Infinity players. The price of SLP depends on the growth of Axie Infinity, with the demand for breeding and supply of SLP being key factors.
- Revenue Model:** Axie Infinity earns revenue by collecting a breeding fee, paid in AXS, for breeding Axies (SLP required for breeding is burned), as well as a 4.25% Axie Marketplace fee for successful sales of Axie assets such as Axies, land, and land items. All revenue goes to the Community Treasury, which is governed by AXS holders. Axie Infinity game play, and commensurate revenues, took off after the game was migrated from Ethereum to the Ronin side-chain in May of this year, allowing for faster and cheaper gameplay. As can be seen in **Exhibit 1**, protocol revenues are up over 65x compared to the beginning of June, causing the AXS token to increase 10x over this short amount of time.
- Blockchain & Gaming:** There are many benefits to incorporating blockchain technology into gaming, many of which Axie Infinity exemplifies. These benefits include enabling users to own assets, which transforms in-game purchases from an expense into an asset, enables resell, and allows porting to other games, all benefitting the players and the ecosystem. Additionally, blockchain technology makes the system more secure, transparent, trustless, and traceable. Moreover, blockchain technology expands developer revenue streams, moving developers from mainly selling in-game items to overseeing a dynamic virtual economy where they can take a cut of all commerce. Further, smart contracts can be utilized to create rich incentives to reward players for their contribution to the game, such as accomplishing certain tasks, producing popular content, or onboarding new users. Lastly, outside developers can build on top of the existing game, improving the user

experience and in the future, contributing to what could be a larger metaverse composed of assets from many different games. All in, blockchain technology can transform a game into a dynamic virtual world where both gamers and developers are aligned and benefit as the game grows.

Exhibit 1: Axie Infinity Revenues and Token Price



Source: token terminal, Santiment, GSR

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