

# Introduction

As funding is distributed, it's vital for the Collective to document and track the impact of funded parties. Doing so enables more educated decisions in future funding distributions and enables future funding recipients to iterate upon the learnings of prior experiments. This report is our first attempt at taking a more granular, project-level analysis, following up the categorical analysis in our [earlier report](#).

## General Information

- Project Name: [Revert Finance](#)
- Season 2 Cycle 6
- [Funded](#): 240,000 OP
- OP Deployed: 240,000 (100%)
- OP Claimed: 232,740 (97%)
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- Wallet: [0x8cadb20a4811f363dadb863a190708bed26245f8](#)
- [Proposal](#)
- [Vote](#)

What is Revert?

Revert Finance offers the Revert Compounder, designed to auto-compound Uniswap V3 LP positions. The Compounder enables LPs to compound accrued fees back into their position automatically. For providing this service, the protocol charges a 2% performance fee. The protocol aims to alleviate LP depositors' need to claim and compound fees earned on their LP position. The overall goal for the Collective in funding Revert seems to be increasing the number of liquidity providers on the network via OP token incentives.

How do OP incentives impact Revert?

The goal of the Revert incentive program on OP was to attract more LP depositors and bootstrap the protocol. By incentivizing users with OP rewards, Revert can attract additional liquidity/TVL and increase transactions and transaction fees earned for the protocol with little-to-no cost to the protocol.

How do OP incentives impact the Optimism Network?

The OP rewards on the protocol level benefit the Optimism Network, as all on-chain actions pay gas to Optimism. Additionally, the rewards could increase Total Value Locked (TVL), leading to more stable markets, thus attracting more users and projects.

## Incentive Program Overview

Data

This retrospective analysis utilizes the data provided by OP Labs in the [OP Analytics repo](#).

### Distribution

On Nov. 03, 2022, Revert Finance [announced](#) their '[auto-compounding incentives](#)', totaling 240,000 OP.

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The 240,000 OP were divided amongst three [incentive periods](#), with the OP allocation per period shown below.

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## TVL

Total Value Locked (TVL) is one of the most commonly adopted metrics for comparing Layer 2 (L2) scaling solutions, such as Optimism. TVL displays the total \$ amount of funds currently trusting the network to operate as intended. Theoretically, this value assigns a loose ‘trust’ score to the network and its ability to attract large amounts of capital.

While it’s common to see the TVL of a given protocol increase with incentives, in the future, we believe a superior method of measuring impact will be user retention. As TVL can (& typically does) increase with rewards, we believe some form of value retention analysis may further benefit the community beyond TVL.

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Before Revert’s liquidity incentives, the protocol’s TVL was relatively low, ranging from around \$200,000 to \$665,000. However, TVL rose significantly once OP incentives began, peaking above \$4 million in December, and sustained similar levels throughout the incentivized period. The highest TVL recorded was just over \$6 million on Dec. 14, 2022.

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Revert’s TVL sustained following the incentive program as the 30D moving average was \$1.4 million, an increase of 198% from the 30D moving average before the incentives (\$470,000).

## Polygon Incentives Comparison

On December 07, 2022, Reverter launched a [Compounder incentive program](#) on Polygon. The Compounder was incentivized with 150,000 MATIC over four weeks.

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To better compare the Polygon and Optimism incentives, we’ve calculated the incentives TWAP in \$USD throughout the given length of the programs.

Incentive Price (\$USD):

- TWAP
- OP Program (120D TWAP): \$1.64
- 240K OP \* \$1.64 = \$393,600
- 240K OP \* \$1.64 = \$393,600
- Polygon Program (30D TWAP): \$0.83
- 150K MATIC \* \$0.83 = \$124,500
- 150K MATIC \* \$0.83 = \$124,500
- OP Program (120D TWAP): \$1.64
- 240K OP \* \$1.64 = \$393,600
- 240K OP \* \$1.64 = \$393,600

- Polygon Program (30D TWAP): \$0.83
- 150K MATIC \* \$0.83 = \$124,500
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Revert's TVL averaged \$365,000 for the 30 days pre-incentives, topped out at over the \$3.2 million, and averaged \$1.9 million afterward, giving the program's retention rate of 0.61 on Polygon. This is interesting as the rewards on Polygon were only a quarter of the length of those on Optimism and around 30% of the value of the rewards. It's worth noting here that there were multiple other LP incentives for Uniswap LPs on Optimism during much of the time that Revert's incentives were live, which could be one reason the MATIC incentives had a greater impact on TVL more.

## Transactions & Transacting Addresses

One way to assess the program's benefit to the Optimism ecosystem is by the increase in daily transactions. In the future, transactions will directly influence the success of the Collective's [RPGF flywheel](#).

The number of transactions and unique transacting addresses significantly increase during the program. Before the program, daily transactions range from 8 to 90, and between 2 to 13 daily unique addresses. It's worth noting that the increase in transactions is largely due to the nature of the Revert Compoundor. The Compounder submits a transaction every time it compounds a user's position, so increasing users inevitably increases the number of transactions.

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During the program, the transactions range from 75 to 662, and unique transacting addresses range from 12 to 118.

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## Fees

During the duration of their program, Revert accumulated approximately 2.5 ETH in network fees. The daily average fee experienced a rise from 0.0034 ETH per day (30-day average prior) to 0.023 ETH per day during the implementation of the incentives program.

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While it is common for fees to decrease after the conclusion of an incentive program, Revert managed to maintain a higher fee level for the subsequent 30 days, with an average of about 0.021 ETH per day. However, the average daily fees generated after this 30-day post-program period dropped to 0.0057 ETH per day, which still indicates a decrease.

## Claimer Breakdown

When analyzing the claimers, it's apparent that the distribution of the OP was diverse at least on the surface (1-hop). Over 850 unique wallets claimed OP from the program, with the top recipient receiving 15.23K OP (6.4%).

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The recipient diversity could be due to the smaller amount relative to other programs, which may have to do with the size of the incentives. Revert distributed 240,000 OP over four months, a relatively small amount compared to programs such as the current [Synthetix x Kwenta rewards](#). To put this into perspective, one week of Synthetix rewards is more than Revert's four-month program.

While the Collective will need to wait until at least September to analyze the results of Synthetix and Kwenta's reward programs, it is useful to begin optimizing liquidity incentives for maximum RoI.

## Closing Remarks

Despite being a smaller program, Revert Finance was surprisingly efficient in increasing both the number of transactions and the number of users. The program's retention rate of users and consistent gas fees were even more impressive. In the 30 days following the program's conclusion, the protocol averaged 4 more user addresses daily than during the program.

It remains to be seen if incentivizing liquidity at the rate the Collective has to date is a sustainable strategy or if there are alternative methods that could be applied to boost ecosystem growth. As liquidity will always be a necessary component of the ecosystem, there will likely be a consistent demand for incentives directed toward it.

However, incentive programs that optimize for liquidity providers may find difficulty in retaining long-term liquidity providers if the rewards move to a new project and the providers earn only a percentage of the rewards following the program's conclusion. The Collective shouldn't over-incentivize liquidity providers if the liquidity will simply go unutilized, and the providers are mostly temporary.

## Next Steps

We look forward to the community's feedback on improving this effort and providing the most value possible! All feedback is welcomed, and we look forward to evolving these types of analysis into a useful tool for the Collective.

- As more project liquidity incentives are completed, we can begin to benchmark this incentive type and assess a quantitative score to each grant.
- Establish a solution to track on-chain funding distribution.

## Sources

- [Incentive Program Performance Summary - Dune @oplabsphc](#)
- [OP Analytics Repo](#)
- [DefiLlama](#)