



## Aave (\$AAVE)

<b>Review Price:</b> \$165.43	<b>QC Ranking:</b> 1 (Highest)
<b>Yearly Performance:</b> +171%	<b>QC Timeliness:</b> 2 (Bullish)
<b>Founded:</b> 2017	<b>Certik Score:</b> 86.01 (A)
<b>Launched:</b> Nov 2017	<b>Sector:</b> DeFi
<b>Launch Price:</b> \$0.0162	<b>Review Date:</b> 9/27/2024

**Background:** ETHLend was founded by Stani Kulechov and was the foundational idea behind Aave. ETHLend was a decentralized lending platform that used Ethereum smart contracts to secure loans. Users could provide their ERC-20 tokens as collateral to get an Ethereum loan.

In 2020, the ETHLend platform was officially rebranded to Aave, and it expanded its offerings beyond just Ethereum-based loans. The name "Aave" is derived from the Finnish word for "ghost," which aligns with the platform's ghost-themed branding.

**Fundamentals:** Aave is a decentralized lending and borrowing platform built on the Ethereum blockchain. It enables users to lend and borrow a variety of cryptocurrencies through smart contracts, eliminating the need for intermediaries like banks.

Aave implements a lending pool model, where users deposit their assets into a pool and earn interest from borrowers. Lenders can choose between a stable interest rate or a variable interest rate, depending on their preference for stability or potential returns.

To ensure the safety of user funds, Aave incorporates robust security measures. Multiple audits of Aave's smart contracts have received high grades from audit services, including a 96% score from a DeFi Safety review and a 92.9 security score from CertiK. Aave also incorporates a risk management framework called the 'Health Factor,' which dynamically adjusts collateral requirements based on market conditions, reducing the risk of default and ensuring the protocol's

stability.

Aave is also known for its 'flash loans.' Flash loans are short-term loans where borrowers don't need to provide collateral, and there's no borrowing limit. The loan is taken out and repaid within the same transaction. If the user fails to repay the loan before the transaction completes, a smart contract cancels the transaction and returns the funds to the lender. Flash loans are used for arbitrage, liquidations, and complex operations within the DeFi ecosystem.

Aave's native token is called AAVE, which plays a crucial role in the platform's governance and utility. AAVE holders have the ability to participate in decision-making processes, such as proposing and voting on protocol upgrades.

Additionally, AAVE holders can stake their tokens as collateral to borrow assets at a higher loan-to-value (LTV) ratio.

Since its launch, Aave has gained significant popularity and has become one of the leading protocols in the decentralized finance (DeFi) space.

### **Recent news and upgrades:**

**GHO stablecoin and BlackRock's BUILD** – On August 27<sup>th</sup>, Aave Labs detailed a proposal improving its GHO Stability Module (GSM) by partnering with BlackRock's tokenized fund, BUIDL. This integration aims to enhance GHO's stability by converting excess USDC into BUIDL tokens, which are backed by traditional financial assets like cash and U.S. Treasury bills. This process ensures that idle assets generate returns, while maintaining a stable link between GHO and USDC.

The proposal suggests that users' extra USDC will be converted into BUIDL tokens and held in smart contracts until GHO is exchanged back for USDC. Fees will be collected in GHO and paid out monthly in BUIDL. This system aims to improve liquidity and make GHO more appealing by strengthening the connection between DeFi and traditional finance. The proposal is currently open for community feedback before being put to a vote.

**Aave V4 with Cross Chain Liquidity layer** – On May 1<sup>st</sup>, Aave announced its V4 project introducing new features aimed at improving scalability, liquidity, and user experience within the decentralized lending ecosystem. One of the major

upgrades in Aave V4 is the creation of a Unified Liquidity Layer, which will allow for better integration of cross-chain liquidity and enhanced support for non-Ethereum Virtual Machine (EVM) layer-1 deployments. This upgrade is designed to streamline borrowing and lending processes, offering dynamic interest rates based on market conditions and using data from oracles like Chainlink.

Additionally, Aave V4 introduces new features such as isolation pools and risk modules, allowing users to better manage risk while borrowing against various forms of collateral.

Another important focus of Aave V4 is improving its algorithmic stablecoin, **GHO**, which was launched in 2023. The upgrade includes improvements to the liquidation engine and introduces mechanisms like variable liquidation bonuses and "soft" liquidations to provide a more stable and flexible environment for users holding or borrowing GHO.

**The full release of V4 is scheduled for mid-2025.**

**TVL Growth in 2023 and 2024:** Aave's Total Value Locked (TVL) has seen consistent growth throughout 2024, now reaching \$21.65 billion. While still below its all-time high of \$36.25 billion from October 2021, this marks a significant rebound from its low of \$5.8 billion in early 2023. This upward trend, sustained for nearly two years, reflects the protocol's strong recovery and ongoing adoption within the DeFi space, driven by continuous upgrades and product innovations.



## Price Analysis:



Aave is another example of a small crypto project that became a life changing investment for its founders and early investors. An important factor that did help Aave was the addition of Uniswap V2 release in May 2020, which brought many crypto investors into the DeFi space. Aave was a market leader in 2021 reaching gains of 65,000% from its launch price, however since hitting its all-time high price Aave has lost over 80% of its value by the start of 2023.

## Yearly Price Chart:



2024 has been a strong year for Aave, particularly during July and August, when most cryptocurrencies were in a bear trend. Despite unfavorable market conditions, Aave bucked the trend with an impressive price rally, surging by 108% (from \$72.90 on July 5th to \$165.46 at the time of writing). This performance highlights Aave's resilience and growing demand, even during broader market downturns.

## **Fundamental Score: Highest (1)**

*Quantify Crypto provides rankings of the top cryptocurrencies, categorizing them into five levels: Highest, Above Average, Average, Below Average, and Lowest. Cryptocurrencies are researched and evaluated evenly, ensuring that each fundamental level contains approximately 20% of the cryptocurrencies analyzed.*

These factors contribute to Aave having the Highest fundamental score:

**Successful and Innovative Business Model:** Aave's business model is highly successful due to its decentralized lending platform that allows users to borrow and lend cryptocurrencies without the need for intermediaries. By offering features like flash loans, variable and stable interest rates, and a wide variety of supported assets, Aave has positioned itself as a leader in the DeFi space.

**Quality Product for Multiple Blockchains:** The platform generates revenue through transaction fees and interest on borrowed funds, which is then shared with liquidity providers, creating a strong incentive for participation. Aave's ability to innovate, such as launching its algorithmic stablecoin GHO, and expand into multi-chain environments, ensures long-term growth and sustainability in the evolving DeFi ecosystem. Aave is EVM compatible, currently supporting Ethereum, Polygon, Avalanche and Fantom. The Aave v4 release will support non EVM compatible blockchains.

**Little Competition:** Aave faces relatively little competition in the decentralized finance (DeFi) space due to its early entry, innovative features, and wide adoption across multiple blockchains. It was one of the first DeFi platforms to introduce flash loans, which remain a unique offering compared to most competitors. Aave's support for both variable and stable interest rates sets it apart from other DeFi protocols. While competitors like Compound and MakerDAO exist, Aave's diverse product offerings, including the launch of its algorithmic stablecoin GHO, and robust governance system have allowed it to maintain a leading position in

the DeFi space, with significant market share and user loyalty.

**Final Thoughts:** Aave continues to hold a significant market share in the decentralized finance (DeFi) space, consistently introducing innovative products and expanding its presence across multiple blockchains. With strong leadership, a clear vision, and a track record of quality development, Aave remains at the forefront of DeFi advancements. The launch of its algorithmic stablecoin GHO and cross-chain integration solidify its leadership in the industry. Quantify Crypto continues to maintain the highest fundamental ranking for Aave, recognizing its sustained growth, innovative product pipeline, and robust governance. This positions Aave as one of the most reliable and promising protocols in the blockchain space.

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