



Base Camp

Doubling Down On Bitcoin

Revisiting our views on the Bitcoin ecosystem



Outlier Ventures[®]

After successfully wrapping up our first Bitcoin Base Camp in early 2024, Outlier Ventures remains bullish on the Bitcoin ecosystem. It is with great enthusiasm that we will be launching our second iteration of the Bitcoin Base Camp slated in Q3 of this year.

As we take a moment to reflect upon our start-ups progress, we've also had an opportunity to dig deeper and identify verticals that we view as promising opportunities. It's been nine months since we published our initial views on the **Bitcoin ecosystem**. Since then, we've seen several spot ETF approvals, all-time record highs and the emergence of new players in the asset issuance arena.



"Bitcoin has – and continues to provide an important narrative to the web3 community. The momentum around Bitcoin-native solutions has dramatically advanced within the last year. Scalability and composability continue to promote new found opportunities within the space and with that has presented an emergence of new players and evolving use cases."



FRANCESCA CONTI

Bitcoin Accelerator Lead

Now is an ideal time to double down on Bitcoin and provide premium support to builders unlocking new opportunities in Bitcoin. What remains evident is the excitement surrounding Bitcoin and the positive narrative behind the new technology. In our research and speaking amongst the crypto community, we are confident that there are limited signs of it slowing down any time soon. In terms of areas of particular interest, **we are seeking builders in the following areas:**



DOUBLING DOWN

INVESTMENT PILLARS

Previous recruiting cycle we focused on four different pockets to recruit founders from:

- Decentralized Finance
- dApps Leveraging Asset Issuance
- Mining & Energy Solutions
- Infrastructure

Upon re-evaluating the investment process and the program **we have decided to double down on two verticals:**

- dApps Leveraging Asset Issuance
- Decentralized Finance

Let's dive a bit deeper...

DAPPS LEVERAGING ASSET ISSUANCE

As affirmed in our initial research, the ability to issue assets leveraging the taproot upgrade has been a pivotal moment for the Bitcoin ecosystem. Having the ability to represent any

asset on Bitcoin unlocks so many possibilities across applications like DeFi, RWA, Consumer Finance, Creator economy and more.

Ordinals, inscriptions and later BRC-20 were the initial catalyst for innovation on the application and infrastructure level to leverage asset issuance. Since then, Runes have hit the scene and made a splash. Despite its recent cool down, we believe that the emergence of Runes has shown the potential of bringing innovation across a spectrum of use cases.

Equipped with the blueprints of chains like Ethereum and Solana, the Bitcoin ecosystem continues to advance at a clip. It's now time for the ecosystem to diversify away by leaning into the differentiators that make the issuing assets on Bitcoin so powerful. As the BTC ecosystem continues to mature, we expect it to lean more into its unique value proposition. Elements such as increased integrity, security and decentralization will continue to



play a critical role in the development of the next wave of dApps leveraging asset issuance.

Although Asset Issuance has entered the main stage as one of the hottest verticals at the moment, DeFi in Bitcoin remains a major foothold into the guarded utility within the space.

DECENTRALIZED FINANCE

Based upon the high volume and high quality applications we received for our first cohort, it is clear that the most mature metalayers (sidechains/L2s) are gearing towards DeFi use cases and as a result that's also where builders are skewing towards.

As identified in early 2023, DeFi continues to be the most compelling use case. When examining the abundance of opportunities, capital efficiency is a key example. First, >99% of all BTC to date is not active in any dApp which is suboptimal from a capital efficiency perspective. Secondly, Bitcoin's security (PoW) and decentralization make it the

perfect chain to host high integrity (ie. financial assets) on. Finally, recent increases in sidechain throughput, turing complete language and asset issuance capabilities leave Bitcoin with all the necessary tools for DeFi to flourish within the Bitcoin ecosystem.

Based upon observations and experience garnered in Bitcoin Base Camp 1, we consider traction of many of the BTC DeFi primitives to be imminent as other ecosystems are looking to explore or return back to BTC. At the same time institutions are increasing tokenization efforts. Given it's already more widely accepted on balance sheet post the ETF approval, Bitcoin is a very likely candidate to host tokenized institutional grade assets in the future. Not only because of the regulatory clarity but also again because of its high integrity, security and decentralization.

Our research lead, Jasper De Maere, finds that despite making up half of the digital assetmarket cap, less than 1% of BTC is used in dApps in the Bitcoin ecosystem.





“BTC holders are underutilizing their assets with less than 1% of BTC being actively used in the ecosystem. Bringing more utility to the remaining 99% of BTC holders is arguable the largest underexplored opportunity in digital assets today.”



JASPER DE MAERE
Head of Reserach

We find that the majority of demand currently is driven by emerging markets where BTC payments are already seeing good traction. Taking that into account, BTC DeFi usage is the logical next step after payments as consumers move into more complex onchain applications. By doing so, this provides them with new functionality like investing, trading, spend/earn products, passive yield and more.

So in short, we’re bullish on BTC applications playing into asset issuance as well as BTC DeFi. Both use cases naturally feed into one another.



WHAT'S NEXT

In terms of what is next for Outlier Ventures Outlook on Bitcoin, we're currently seeking builders that are creating sustainable businesses in 5 subcategories:

- Institutional Grade DeFi
- Bitcoin Stablecoins
- Middleware & Tooling
- Cross-chain Applications
- Governance Tools

What are some of the solutions we would like to see founders building? For more, [here](#) is a comprehensive overview of Call for Builders and a more detailed analysis of what we are looking for.

From our past cohort, Outlier Ventures has derived four key learnings:

1. Ordinals, more recently Runes, are the biggest focus of BTC ecosystem investors
2. Bitcoin is still top of mind with founders and investors even outside the ecosystem
3. BTC is speedrunning innovation based on other ecosystem blueprints
4. BTC DeFi demand is currently mainly driven by emerging markets

Composability, scalability and Bitcoin's massive opportunity surrounding untapped assets are all areas in which we remain bullish on the Bitcoin ecosystem. With the aforementioned, we are seeing developers returning back to BTC and utilizing its technology to build solutions on the largest network with the highest integrity.

Apply for the Bitcoin Base camp

Read our original complete thesis

