Investment Memo: Arch

Arch is a bitcoin and digital asset lender and financial services firm on a mission to deliver secure, reliable, and effortless financial products to the next generation of investors.

Founding Story

Arch was founded in 2022 to address the personal needs of the founders. When bitcoin and digital assets become a non-speculative part of any personal portfolio, many individuals naturally look for safe and secure financial services, including custody, trade, and lending. When looking around for the right solution, Dhruv Patel and Himanshu Sahay could not find a solution which satisfied their needs, so they built Arch Lending. Following the mismanagement of Blockfi, Voyager, Celsius, and Genesis, the firm aimed to build a secure lending and financial services platform without fund rehypothecation.

Product and Services

Arch's flagship product offers fiat loans against bitcoin, fully automated from account creation to loan disbursal, servicing, margin calls, and liquidation. Loans are funded within minutes, with terms up to two years, the longest in the market, and the ability to roll over at maturity without principal repayment. A recently launched line of credit feature allows clients to upsize loans seamlessly as collateral value increases, with no early repayment penalties. Arch does not rehypothecate collateral, which is held in Anchorage custody (segregated for loans $100k+). Taking a loan out takes 5 minutes and no human involvement, allowing this product to serve all loan types seamlessly.

The platform also offers white-glove customer service for HNWI and other institutional customers. The platform also offers loans against other digital assets, making up ~2% of the firm's loan volume. Upcoming products include low-fee trading, on/off ramps, and a rewards credit card.

Market Overview

The bitcoin lending market is expanding rapidly as the price continues to rise and adoption grows among HNWIs, institutions, and businesses. The primary uses are for real estate investment, business expenses, and cash flow management. Institutional interest has continued to pick up with shifting regulatory goalposts as publicly traded companies, miners, and investment funds continue to grow their bitcoin exposure. To date, the space is underserved by traditional financial institutions, creating a gap for specialized platforms like Arch to offer tailored lending solutions with fast execution in a 24/7 market.

Customers

Arch serves small investors with minimum loan sizes of $1,000 up to HNWIs and institutions. Arch has an average loan size over $250k with 60%+ of their clients as multiple time borrowers.

Total Addressable Market

The TAM for digital asset-backed lending is significant, with single lender financing reaching its peak of $35B in 1Q22. Following the leverage washout in 2022, the single lender financing market was above $10B in 4Q24, per Galaxy Digital. Increasing adoption of bitcoin as a treasury asset among individuals, businesses of all sizes, and more speculative investments from investment firms should drive both higher prices and increased demand for the associated financial services, like lending.

As bitcoin becomes the preferred world reserve asset, the value of bitcoin should become ~33% of total global value. In that state, the overcollateralized bitcoin lending market should become 5-10% of the value of the asset. Meanwhile, annual trading volumes should be 3 times more than the value of the underlying asset, slightly higher than the 2.5x ratio of the US public markets today given bitcoin's global nature and 24/7/365 market.

Competition

Arch competes with platforms like Ledn, Unchained, Strike, and Lava. Arch differentiates itself through completely automated processes, longer loan terms than competitors, and segregated wallets for each client balances above $100k in bankruptcy remote accounts, to mitigate concerns about the financial viability of the loan issuer.

Arch primarily focuses on HNWI clients, as well as publicly traded corporates, bitcoin minders, investment funds, energy companies, and a range of small and medium enterprises.

To ensure that funds are not rehypothecated, Arch plans to implement multi-institutional custody, allowing customers to independently verify funds on chain. Independent of the funds verification, the model also ensures that there is no reliance on a single counterparty for custody. This also eliminates the personal risk of managing private keys for those who are not experts, and the risk of outside attack vectors. This is the ideal solution for those clients who are looking for a secure money warehouse with expert security practices.

Business Model

Arch generates revenue primarily through interest and origination fees on loans, with rates competitive due to its CLO facility (which has been recently upsized). Arch's low customer acquisition cost (CAC) via SEO, partnerships, and minimal ad spend ensures high margins. Over 60% client retention and multiple loans per client create recurring revenue. Future products like trading, structured products, and rewards credit cards will diversify revenue streams, targeting a larger top-of-funnel audience.

Funding Uses

The capital will be used for hiring across finance, operations, sales & marketing, as well as engineering to support growth and new product launches.

The capital injection will be used to launch new products like trading/on-ramps and a further suite of financial products. As well as acquire licenses in key U.S. states (e.g., California) and internationally by Q2 2025 to meet global demand.

Lastly, the additional capital will better position the company to reduce the cost of capital by adding senior lenders to the CLO, enabling more competitive loan rates and market share growth.

Founding Team

Dhruv Patel, CEO
After graduating from Cal Berkeley's Haas School of Business, Dhruv joined Bridgewater as an investment engineer. Following his time at Bridgewater, he focused on Capital Markets, Credit, & Operations at Brex before starting Arch.

Himanshu Sahay, CTO
Himanshu has experience as a software engineer at a number of prestigious firms, including VMware Carbon Black, Amazon, Microsoft, Tinder, Bird, and Snapchat. He is also an angel investor and venture partner at Predictive VC.

Key Opportunities
In an increasingly competitive lending landscape which is fraught with counterparty risk, there is a significant opportunity to gain share through fast service, white-glove onboarding, and custody differentiation. Single custody lending has historically lacked transparency and accountability, which has resulted in client fund rehypothecation (Celcius, Blockfi, Voyager, Genesis, and by extension Gemini Earn).

The bitcoin lending market will continue to grow, and Arch is well positioned to both gain share, and benefit from the growing market. Further, high average collateral per customer creates opportunities for cross-selling trading, credit cards, and other financial products.

Lastly, there is an opportunity for further geographical expansion to cater to inbounds from international clients, with plans to expand licensing.

Key Risks
Cost of Capital: High capital costs limit demand for bitcoin backed loans. The Arch team is mitigating the challenges by courting new lenders, upsizing their loan facility, and creating a robust secondary loan market.
Regulatory Challenges: Expanding into new jurisdictions requires navigating complex licensing, which could delay growth.
Team Scaling: Rapid growth demands more staff, and hiring delays could strain operations.
Competition: Established players and new market entrants could erode market share if Arch doesn't maintain its technological and service edge.

ARCH EARLY RIDERS

Traction
Loan Origination: Arch originated over $50M in loans in 2024, on track for above $250M in 2025. The lender has already exhausted a $70M debt facility ahead of schedule and upsized to $200M.
Go-to-Market Efficiency: High Google search rankings via SEO, partnerships with KOLs, and crypto firms drive low-CAC growth. Content drives many new prospective customers.
Client Satisfaction: Over 60% of their clients borrow with Arch multiple times.

Early Riders & Arch
We anticipate strong collaboration across our portfolio at Early Riders, particularly with Onramp and Acropolis across both custodial plans as well as client introductions. As the Early Riders portfolio continues to grow, we expect further collaboration with other portfolio companies as Early Riders continues to invest and build complementary services, creating a robust ecosystem of Bitcoin-focused services for individuals and enterprises.

Summary
Arch has shown great technical expertise, go to market differentiation, and is well positioned to benefit from the tailwinds of the bitcoin lending market. The team has shown great traction and Early Riders is excited to support Arch during their next phase of growth.

Contact Early Riders
To learn more about Early Riders, visit https://www.earlyriders.com/ and reach out to liam@earlyriders.com to learn how to get involved.

Contact Arch
To learn more about Arch, visit https://archlending.com/ or reach out to dhruv@archlending.com.