

Panama DAO Staking Analysis Report

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Summary

- This analysis focuses on the potential financial benefits of staking 50% of the ETH held in Panama DAO's treasury. The following figures are current as of February 27, 2024.
- This analysis uses staking annual percentage yield (APY) data from Lido, a major liquid staking provider. Liquid staking permits participants to stake smaller amounts of Ether and further use staked ETH in other blockchain protocols.
- The accompanying [streamlit](#) application allows members to select which percentage of assets to stake and dynamically calculate key financial metrics. Note that the data is not set to update, so data is current as of February 27, 2024.
- A key metric examined was the change in net income due to staking returns, termed `compound_interest_percent_chg`. Overall, the analysis found that staking has the potential to enhance net income, providing additional revenue beyond regular operations (auction revenue).
- This analysis does not consider transaction fees.

Findings

- The DAO would have earned ~\$675 in staking revenue to date, with a 3.97% return on staking.

Revenue Analysis

Cumulative Compound Interest

\$675.07

Return on Staking

3.97%

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- There are at least three months; September 2023, November 2023, and December 2023, in which staking revenue would have exceeded auction revenue. In fact, in November and December the DAO received no revenue from auctions, with the sole revenue coming from staking.

| | auction_revenue_usd | staking revenue |
|------------|---------------------|-----------------|
| 2023-12-31 | \$0.00 | \$57.85 |
| 2023-11-30 | \$0.00 | \$50.79 |
| 2023-09-30 | \$32.42 | \$41.54 |

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- Historically, the average monthly revenue from staking would have been \$56.
- Excluding months where staking was the sole revenue driver, the compound_interest_percent_chg ranged from a modest 0.19% to a significant 33%, indicating varying monthly income enhancements due to staking.

Recommendations

- While the income generated from staking is not substantial at face value, staking can undoubtedly stabilize the DAOs income and should be considered as a source of revenue.
- It is important to consider what percentage of ETH should be staked for liquidity reasons, to ensure prompt funding for DAO governance proposals.
- A staking strategy can be viewed as depositing unused assts into a savings account and is appropriate as part of a long-term financial strategy for the DAO, due to compounding returns. As DAO assets grow, so too will staking revenue.
- Since this analysis did not consider the transaction fees associated with this staking strategy, it is important to plan out exactly how the DAO would go about staking its assets. Seeing that the DAO and its assets operate on Ethereum Layer 1, the DAO should compare the transaction costs associated with swapping ETH for wstETH (yield bearing ETH issued by Lido) to the transaction costs associated with depositing ETH on the Lido protocol. Furthermore, wstETH also operates on several layer 2 blockchains and it may be prudent to explore a Layer 2 staking strategy for decreased transaction fees.