Considered.Finance presents the financial intelligence report for epoch 24.

[Financial Report Epoch 24]

Those interested in clearly defined measures of performance of the protocol and the DAO will find this an interesting read. As always feedback, comments or constructive criticism are strongly encouraged.

The protocol operating loss narrowed to $132k in epoch 24 from $2.5m previously. A significant rebound in trading activity was the major driver.

An addition to the income statement this time is the inclusion of translation gains/losses on treasury tokens. This is a non-operating expense driven by market conditions in the short term. Long term decisions that affect the value of the treasury will make a big difference to DAO sustainability. Tracking the performance of treasury assets in the income statement like a public company is the first step towards optimising this.

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- The dYdX protocol narrowly missed recording an operating profit in epoch 24. The operating net loss was $132k.
- The loss after treasury changes expanded to $24mm when including unrealised profits from moves in the value of treasury tokens.
- The gross margin increased to a healthier 63%, mostly due to greater fee revenue. A recent proposal to shift away from LP rewards to a higher rebate system could help make the gross profit ratio more predictable in v3.
- Customer acquisition cost of trading rewards has been reduced in line with market conditions. This still makes up a high percentage of fee revenues and this ratio needs to come down over the long term. This has helped the overall profitability.
- The dollar value of treasury tokens has an outsized effect on changes in the value of the treasuries due to the concentrated holding in DYDX tokens. Initiatives that drive long term token value have the potential to drive a lot of value to the protocol.

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DAO runway remains strong. DYDX has one of the longest runways in DeFi. This will evolve as new subDAO's form.

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Despite the launch of DOT 2.0 expenses are dominated by trading rewards. Note we consider LP rewards to be a cost of revenue and reflected elsewhere.

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As a next step towards a predicative model of forward looking fee revenue we've included the relationships between volume and two major drivers: volatility and the dollar value of rewards. These are never going to be exactly one to one, but there are reasonable trends in our view.

Debate around other factors to look into as measurable drivers of trading volumes are encouraged.

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Changes in this report:

- Added chart showing the USD value of treasury through time
- Changed runway calculation to use accrued rather than moving average of cash payments
- Treated LP rewards as Cost of Revenue rather than fees throughout for consistency
- Added DOT multisig balance chart
- Added charts showing relationship between possible drivers: volatility and dollar value of rewards and output: volumes
- Added translation P&L to the bottom of the income statement to track non-operationsal (below the line) changes in value

If you find this interesting please let us know what you like, what’s missing and what you don’t like. This is being built in public using your feedback.