Hi! Given the recent sunset of Lido on Solana, I would like to gather some feedback on sunsetting Lido on Polygon.

Lacklustre Revenue

The current TVL for Lido on Polygon is ~151,000,000 MATIC ($86M). The current fees Lido DAO makes on Polygon per year is

151,000,000 (TVL) * 4.17% (current staking rate) * 5% (DAO fee) = 314,835 MATIC = $166,863

Lido DAO has awarded 450,000 LDO tokens in the past 12 months to Shard Labs as compensation for reaching the 3% staking market goal. Another 150,000 LDO tokens will soon be doled out to Shard Labs to meet the 4% staking market goal. The incentives Lido has spent on Polygon for the past year (from Oct 22 to May 23) were 1,538,500 LDO.

I have deliberately discounted the rewards since June 23 (some stETH were distributed) and rewards before Oct 22(north of another 1.5M LDO). With those numbers, this ROI would look even worse.

Over the last 12 months, Lido has spent at least 2,138,000 LDO ($3,421,600) to get to a state of making $166,683 a year. I am not an active DAO member, but simply a bag holder, and this ROI is a sheer waste of LDO/stETH incentives.

Brand Risk

Over the past few months, Lido on Polygon underwent a technical upgrade that seems to have introduced a bug that stopped withdrawals for 25 days. While we were fortunate to have no FUD around this period, this seems to pose a reputational risk to a protocol with $15B in assets.

Expensive Compensation Structure

The yearly revenue that each 1% of staked matic gets to LDO is $41991. The one-time compensation that Shardlabs makes is 150K LDO is $240,000. This is poor ROI, especially under the current market conditions. The Shard Labs team proposed a newer compensation structure under different macroeconomic conditions, which now seems expensive and impractical.

You can find the revised compensation structure here - (Improving the incentive structure for the Lido on Polygon team - #21 by zuzu_eeka).

Polygon Roadmap Uncertainty

Polygon has unveiled its future roadmap that intends the chain to become a restaking layer and a base layer for newer app chains. While this has always been the perception of Polygon, there is increased competition with Eigenlayer building primitives (& seeing great traction) to cater to the same market. There is broader uncertainty with Polygon migrating to a newer token and is undertaking a multi-year long technical architecture overhaul. As a significant LST provider, Lido on Polygon will have to undertake significant changes and bear the costs for Audits. This might also introduce brand risks (see “Brand Risk” above).

Overall, Polygon has struggled to retain DeFi TVL compared to other L2s. Both Solana and Polygon

TVLs follow a strikingly similar pattern since Oct 2022.

Learnings from Competiton (or the lack of)

Barring Stader Labs, another LST provider, there have been no other liquid staking providers on Polygon. This starkly contrasts Ethereum, which is widely assumed to be a growing market, and hence the proliferation of staking services. The competition is dead or unassuming, pointing to a lack of interest in capitalizing on this market on Polygon.

Stader Labs has cut their already conservative incentives on Polygon by 75%, indicating the stasis of a blockchain that Polygon has become.

In short, I propose to sunset Lido on Polygon to become a native ETH liquid staking provider and avoid assuming risks from smaller pockets of TVL.