Investment Thesis

Lido DAO

LDO

Basic Information

Token type	Governance Token
Price	$0.93
GCCS Classifcation	Liquid Staking , Decentralized Finance, Governance Token
Sector	Decentralized Finance

Source: CoinGecko, Data as of November 4, 2024

Key Metrics

Price Range (1Y)	$0.91 - $3.78
All-Time High	$7.30
All-Time High Date	August 20, 2021
Down From All-Time High	87.26%
Market Capitalization	$1.11B
Volume (24h)	$348.33M
Circulating Supply	895.72M LDO
Max Supply	1B LDO
Total Value Locked (TVL)	$26.05B
Annualized Protocol Revenue	$822M

Source: CoinGecko, DeFiLlama, TokenTerminal
Data as of November 4, 2024

Overview

Lido DAO is a liquid staking protocol operating on various Proof-of-Stake (PoS) networks, including Ethereum and Polygon. **Lido simplifies staking by allowing users to deposit any amount of native tokens** (e.g., ETH, MATIC, SOL) in exchange for stTokens (e.g., stETH, stMATIC), which earn rewards and can be traded or used in DeFi applications, offering liquidity absent in traditional staking. Lido takes a 10% share of staking rewards, making the protocol self-sustaining. Ethereum is Lido's top priority, and the protocol supports decentralization with over 35 independent node operators across diverse setups. **Lido secures about 32% of staked Ether, preventing excessive centralization by centralized exchanges.** Its mission is to ensure staking is accessible, decentralized, and secure while maintaining Ethereum's resilience against censorship.

- **October 2020:** Konstantin Lomashuk, Vasiliy Shapovalov, and Jordan Fish introduced Lido as a liquid staking solution for Ethereum accessible to all, regardless of their capital.
- In **December 2020**, Lido launched on Ethereum. A month later, the LDO token was distributed to govern all network decisions.
- Lido expanded to Solana in **September 2021** and to Polygon in **March 2022**.
- In **May 2023**, Lido V2 went live, **enabling stETH withdrawals**.
- In **October 2024**, Lido launched its **Community Staking Module**, reducing the requirements to become a validator from 32 to 2.4 ETH, while simplifying the process of becoming a solo validator

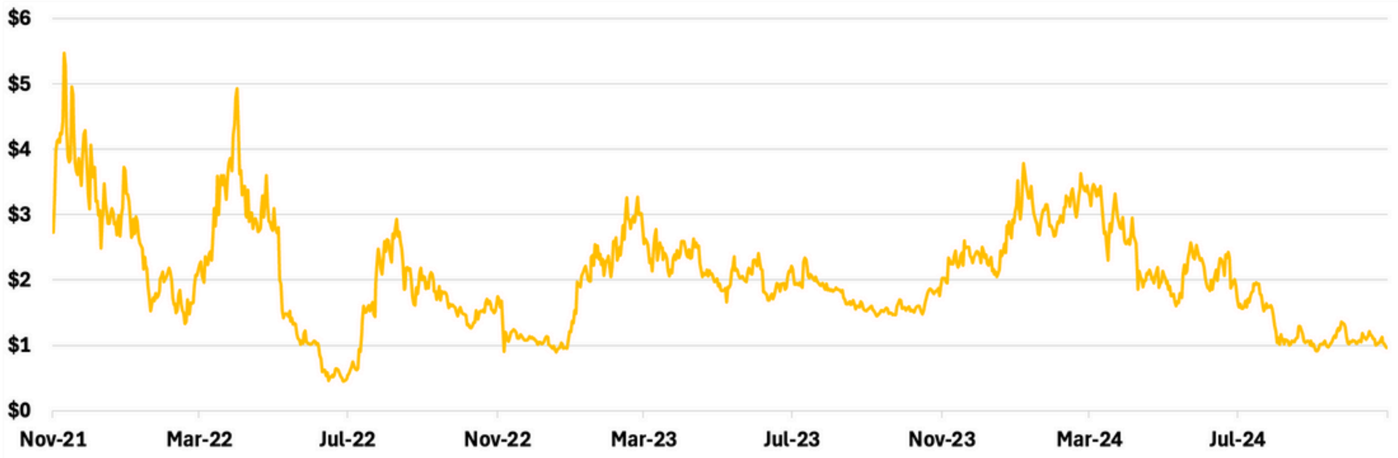
Key takeaways

- **Lido DAO dominates the liquid staking market**, with a strong presence across multiple Proof-of-Stake networks.
- By offering stTokens (e.g., stETH, stMATIC) in exchange for staking, **Lido combines staking rewards with liquidity, allowing users to trade or use their staked assets in DeFi applications**, addressing the illiquidity of traditional staking.
- **Lido supports decentralization through over 35 independent node operators** and its recently introduced Community Staking Module, reducing barriers to becoming a validator to just 2.4 ETH.
- Lido **charges a 10% fee on staking rewards to fund its operations**, ensuring its sustainability and continued ecosystem growth.
- The **May 2023 launch of Lido V2** introduced key features like direct stETH withdrawals and a streamlined validator onboarding process, making staking more user-friendly and flexible.

Risk factors

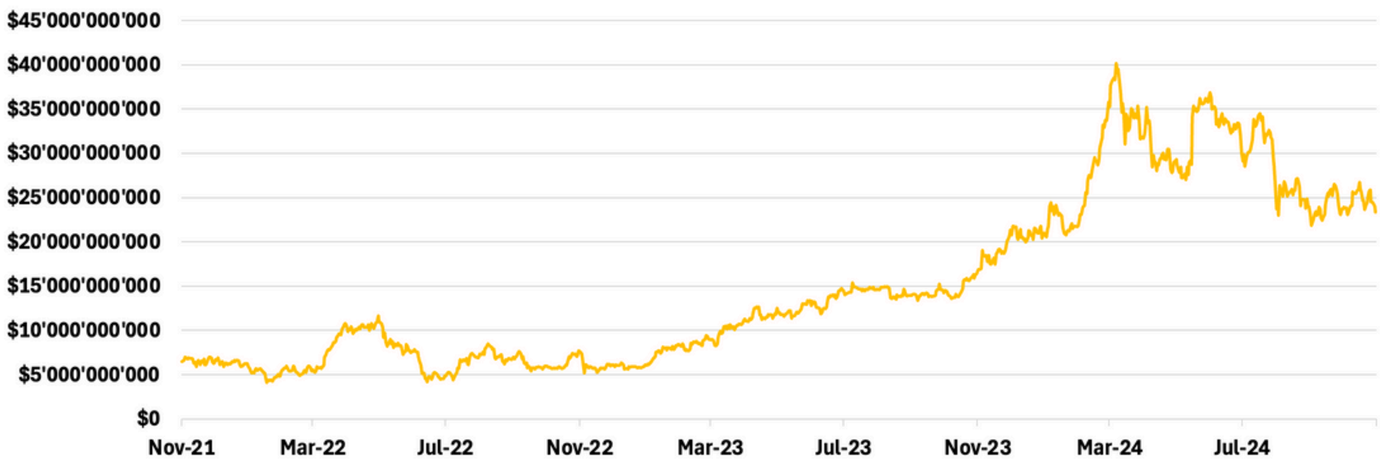
- **Centralization Risk:** Lido governs node operator onboarding via LDO token-holder votes, concentrating decision-making power and potentially hindering further decentralization.
- **Principal-Agent Problem:** Misaligned incentives between LDO token holders and stETH holders could create governance conflicts. The proposed LDO+stETH dual governance system may help address this issue, but it is not yet fully implemented.
- **Over-Reliance on Ethereum:** With Ethereum staking accounting for a significant portion of Lido's operations, the protocol's performance is tightly linked to Ethereum's success.
- **Regulatory Uncertainty:** The protocol faces potential scrutiny due to its dominance in Ethereum staking, which may draw regulatory attention.

Price Performance



Source: CoinGecko. Data from November 5, 2021 - November 4, 2024

Total Value Locked



Source: Artemis. Data from November 5, 2023 - November 4, 2024