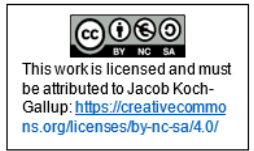


Ethena Protocol Report

by Jacob Koch-Gallup

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Key Insights

- YTD, Ethena has earned \$103.77M in revenue, ranking 5th behind Solana, MakerDAO, Tron, and Ethereum.
- Since February 2024, holders of sUSDe have received an average of 21.42% APY, peaking at 55.86%.
- Ethena achieved a TVL of more than \$3B within 4 months of the public launch in February 2024, making it the fastest-growing dollar-denominated asset in crypto history.
- Ethena added BTC as a backing asset to USDe, offering an additional \$28.85B of open interest for delta-hedging, a 2.7x increase over ETH perpetual futures.
- Ethena continued expanding its ecosystem by integrating with the centralized exchange Bybit, interoperability protocol LayerZero, and 30+ DeFi protocols such as Aave, Curve, and Maker via Spark.

Primer

Ethena (ENA) is developing “The Internet Bond,” USDe, a crypto-native, yield-bearing, and scalable synthetic dollar. USDe uniquely solves the “Stablecoin-Trilemma” by being (1) stable through immediate hedges, (2) censorship-resistant with on-chain custody, and (3) scalable via derivatives with 1:1 collateralization. Ethena captivates the crypto community by offering a stable and scalable base money asset independent of legacy banking infrastructure. USDe addresses the global need for a dollar-denominated means of capital preservation.

Ethena’s USDe is fully backed by ETH and BTC and their corresponding short futures positions. USDe maintains peg stability through delta hedging, holding short positions of backing assets to target a delta-neutral portfolio. When a portfolio has a delta of 0 or is “delta-neutral”, the value in USD terms remains constant regardless of market conditions.

Ethena combines revenue from staked assets (ex. Lido’s stETH) and the funding & basis spread from perpetual and futures markets, to provide USDe stakers (sUSDe holders) with returns.

Ethena Labs (the team behind Ethena) was incubated by Binance Labs in late 2023. In February 2024, Ethena Labs raised a \$14M seed extension round led by Dragonfly at a \$300M valuation. In total, Ethena Labs has raised \$20.5M from notable investors such as Delphi Ventures, OKX Ventures, Kraken Ventures, Gemini, Lightspeed, Wintermute, and Nascent.

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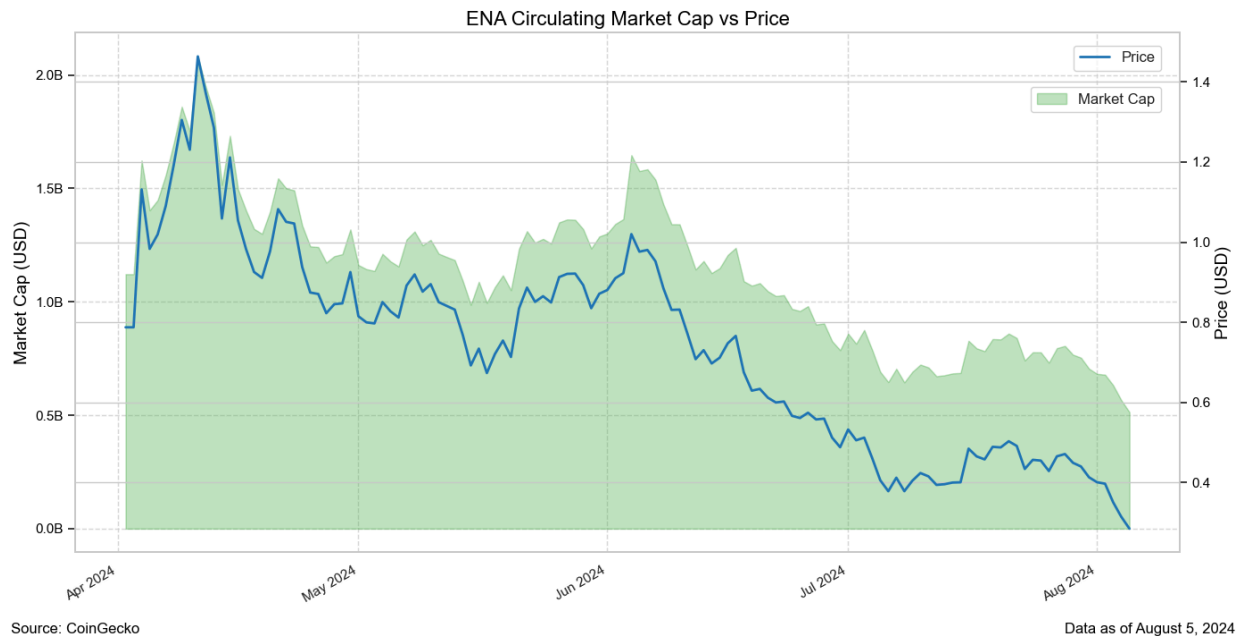
Key Metrics

Ethena Key Metrics Overview								
	Metric	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Financial	Price				\$1.04	\$0.83 <i>-19.80%</i>	\$0.72 <i>-13.60%</i>	\$0.44 <i>-38.60%</i>
	Circulating Market Cap				\$1.52B	\$1.23B <i>-19.10%</i>	\$1.06B <i>-13.60%</i>	\$1.10B <i>3.40%</i>
	Total Revenue (USD)	\$1.74M	\$5.00M <i>186.70%</i>	\$25.20M <i>404.40%</i>	\$15.87M <i>-37.00%</i>	\$18.29M <i>15.20%</i>	\$19.98M <i>9.30%</i>	\$12.92M <i>-35.30%</i>
Usage	Total Value Locked (USD)	\$121.92M	\$285.25M <i>134.00%</i>	\$1.09B <i>281.00%</i>	\$2.25B <i>107.10%</i>	\$2.50B <i>10.90%</i>	\$3.43B <i>37.50%</i>	\$3.40B <i>-0.80%</i>
	Token Holders				35.10K	38.09K <i>8.50%</i>	37.98K <i>-0.30%</i>	39.15K <i>3.10%</i>
	Trading Volume				\$32.3B	\$11.58B <i>-64.20%</i>	\$5.56B <i>-52.00%</i>	\$3.50B <i>-37.00%</i>

Data as of: August 4, 2024
 Source: Token Terminal
 Note: Percentages in italics reflect MoM changes. Revenue measures rewards generated by staking ETH and funding & basis spread earned from delta hedging derivative positions.

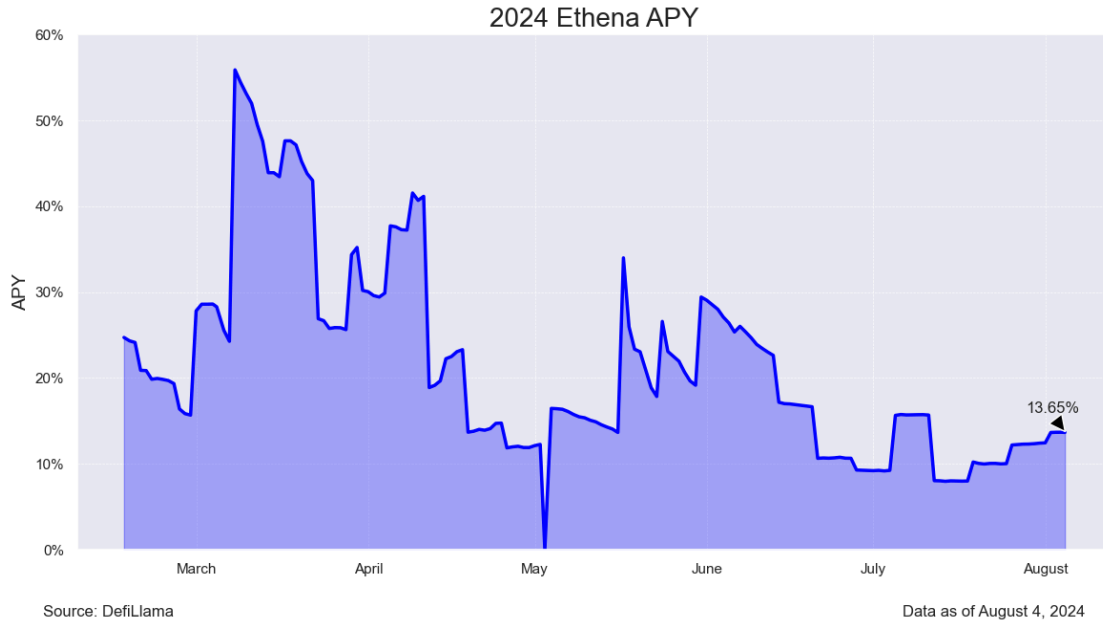
Performance Analysis

Market Cap & Price



Since its TGE on April 2, 2024, ENA’s circulating market cap fell by 38.18% from \$1.52B to \$1.10B, ranking 105th. Ethena’s synthetic dollar, USDe, is ranked 4th in TVL among stablecoins. As ENA’s circulating supply increased 26.73% to 1.806B, the price decreased 57.7% to \$0.44. The next major token unlock for 2.06B ENA is planned for April 2nd, 2025.

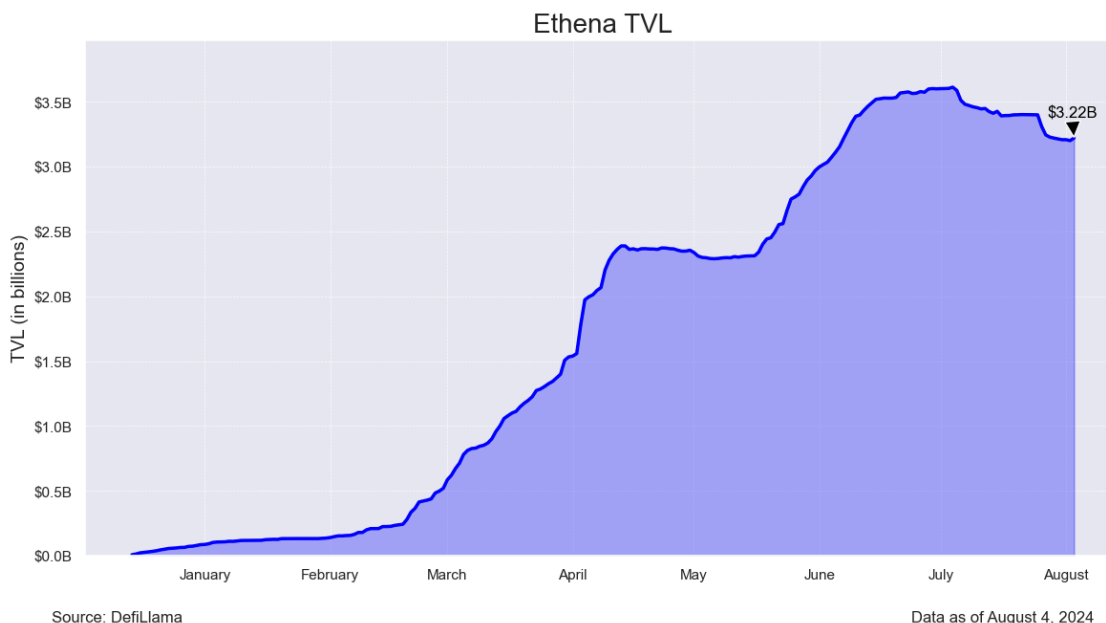
Revenue & Staking



Ethena started generating significant revenue in January 2024 with \$1.74M and grew to \$12.92M by July, marking a 742.5% increase, but a 48.81% decrease from its peak of \$25.20M in March. YTD, Ethena has earned \$103.77M, ranking 5th in total protocol revenue behind Solana, MakerDAO, Tron, and Ethereum. This revenue, generated by staked ETH yield and funding rates for ETH & BTC shorts, provided USDe stakers (sUSDe holders) with an average APY of 21.42% since February 2024, peaking at 55.86%.

While USDe can be used similarly to other stablecoins as on/off-ramps, payments, liquidity, etc., the primary use case for USDe is staking. Since sUSDe's APY is so high, investors purchase USDe as a yield-bearing asset. \$1.427B or 45.9% of all USDe is staked by USDe holders.

Total Value Locked



Ethena achieved a TVL of more than \$3B within 4 months of its public launch, becoming the fastest-growing dollar-denominated asset in crypto history. Ethena's Reserve Fund, designed to bear the cost of negative funding rates, has grown to \$46.5M. Despite a global market crash on August 5, 2024, where \$50M+ redemptions were processed, Ethena's USDe maintained its peg and remained more than 100% collateralized.

Qualitative Analysis

SOL and BTC as a Backing Asset

Ethena's addition of BTC and the potential addition of SOL as backing assets significantly enhance USDe's scalability and yield opportunities.

Ethena added BTC as a backing asset to USDe in early April 2024. BTC perpetual futures offer Ethena an additional \$28.85B of open interest to delta-hedge, a 2.7x increase on ETH perpetual futures.

Average funding on BTC consistently matched ETH funding rates and presented one of the largest untapped real yield opportunities for Ethena. Funding on BTC has averaged 10.29% YTD on \$20-40B of open interest on major exchanges.

On August 7th, 2024, Ethena deployed USDe on Solana using LayerZero's Omnichain Fungible Token (OFT) Standard. This allows Solana users to transact in USDe and accrue rewards with sUSDe. Currently, more than 90% of the \$3.5B stablecoin supply on Solana does not allow users to accrue rewards.

SOL as a backing asset for USDe will be proposed to Ethena governance as early as August 12th, 2024, and, if approved, opens up an extra \$2-3B of open interest across major exchanges. YTD, SOL funding has outpaced BTC and ETH, with a rate of 12.38%.

Ecosystem Integrations

Bybit Integration

In early May 2024, USDe was integrated into the centralized exchange Bybit as collateral for perpetuals and as spot BTC and ETH pairs (and later for SOL). On August 2nd, 2024, all Bybit users could earn up to 20% APR, paid daily, for holding USDe or trading derivatives with USDe collateral.

DeFi Integrations

One of the biggest drivers of USDe demand has been DeFi integrations. Ethena's USDe and sUSDe have integrated with over 30 DeFi protocols including Aave, Curve, Maker via Spark, Pendle, Morpho, GMX, and BounceBit.

Symbiotic and LayerZero Integration

Ethena plans to create a generalized restaking framework using Symbiotic and LayerZero to secure the cross-chain transfer of Ethena-based assets. These transfers will be verified through a LayerZero Decentralized Verification Network (DVN) that is secured via staked ENA with Symbiotic. ENA staking will add utility to the ENA token beyond its current use cases: (1) governance, (2) locked within Ethena to boost airdrop rewards, and (3) locked within Pendle Finance PT-ENA to receive a fixed APY in the

form of PT-ENA. This LayerZero integration marks the first of several infrastructure layers planned for the upcoming Ethena Chain, which will leverage and benefit from restaked ENA modules.

Airdrops

Ethena has allocated at least 15% of ENA's supply (2.25B ENA) to airdrops, potentially increasing to 20% depending on USDe growth and governance.

The first airdrop campaign began on February 19th, 2024 and ended on April 1st after just 6 weeks, distributing 750M ENA (5% of total supply) to users based on their contributions. In those 6 weeks, Ethena users accumulated “shards”, representing their contribution to the Ethena ecosystem. Users earned shards by (1) providing liquidity to Curve and Pendle Finance’s USDe pools, (2) acquiring USDe or providing liquidity on Injective, Manta, & Mantle, (3) using USDe or sUSDe as collateral on Morpho, Gearbox, & Ajna, (4) referring friends, and (5) buying + holding USDe.

The second airdrop, starting on April 2nd, 2024, will run until September 2nd or until USDe TVL reaches \$5B. Users can accumulate “sats” by (1) maintaining existing season 1 positions, (2) locking ENA (with a boost by locking on Binance, Bybit, Bitget, or OKX wallets), (3) depositing sUSDe into Karak, BounceBit, and the Swell pre-deposit contract, (4) providing direct liquidity to the Camelot USDe/USDC pool on Arbitrum, (5) providing liquidity and locking LP tokens on Merchant Moe, (6) using the USDe Looping Hook on INIT, (7) using USDe as collateral on IntentX, and (8) providing liquidity & using USDe/sUSDe as collateral on Solana-based Kamino, Orca, & Drift.

Ethena Chain

Ethena’s 2024 roadmap includes the launch of Ethena Chain, focused on financial applications and infrastructure where USDe is the gas token. Ethena aims to create a unified money layer optimized for financial use cases and an aggregated liquidity layer adjacent to its existing centralized and decentralized exchange partners. Ethena would also help bootstrap new decentralized exchanges on the Ethena network. Ethena’s dominance in counterparty exposure (2x larger than the entire DEX space combined) positions it strongly for continued growth.

Risks

The primary risk for Ethena is Funding Risk, particularly if ETH and BTC funding rates turn negative for extended periods. Ethena created its Reserve Fund, which currently has \$46.5M, to mitigate the Funding Risk. Money will be taken from the Reserve Fund’s pool of capital to protect the spot backing underpinning USDe when the combined revenue between LST yield and the funding rate is negative. Historical data shows a low likelihood of depleting the Reserve Fund as only 10.34% of days from 2021 to 2023 had negative revenue.

Other risks include Exchange Failure, Liquidation, Collateral, and Custodial risks. Ethena’s low leverage and tight collateral positions minimize the impact of a stETH depeg, making liquidation unlikely. However, Ethena still faces centralized risk as it relies on Off-Exchange Settlement providers to hold protocol-backing assets. Ethena mitigates this centralized risk by managing collateral exposure and concentration risk.

Closing Summary

Ethena is captivating to the crypto community with its innovative stablecoin solution and substantial growth metrics. YTD, Ethena has earned \$103.77M, ranking 5th in total protocol revenue, and since February has provided USDe stakers an average APY of 21.42%. Within four months of its public launch, Ethena achieved a TVL of over \$3B, becoming the fastest-growing dollar-denominated asset in crypto history. Ethena's substantial growth and extensive partnerships with DeFi and crypto protocols highlight its empirical relevance. USDe addresses the "Stablecoin-Trilemma" with its censorship resistance, stability, and scalability, making it a key asset for universal capital preservation.