



# Beefy

## Quarterly Report

MARCH 2023



2020

2021

2022



Beefy.com  
DAO

2023

## Beefy DAO

### QUARTERLY REPORT – Q1 2023

To the community, users and tokenholders of Beefy:

This is the first attempt to capture and distill the details of Beefy's current operational and financial performance, and display that information in one consolidated and easy-to-read document for the knowledge and benefit of you all. It is hoped that this report will help readers to gain a better understanding of Beefy, and how it has performed in recent months.

As THE Multichain Yield Optimizer, live on 19 different blockchains, Beefy remains on a singular mission to make access to optimal DeFi yields easier and safer for everyone. By working towards and maintaining high standards of transparency and reporting, Beefy aims to propagate trust and trustlessness throughout its community and its operations, to service and further this single core objective.

#### First Quarter

Already 2023 has seen a significant thawing of crypto markets worldwide, with activity, TVL and market prices all noticeably on the rise. However, performance is still clearly some way below what we have seen in peak bull market conditions. This suggests that the retreat from the recent bearish sentiments over the last 12 months will be gradual at best.

Regardless of market conditions, Beefy has marched forwards by continuing to build new products, grow its community and deliver value to thousands of users. Beefy's focus has remained squarely on launching new products, partnerships and chains safely, to maintain the project's reputation for both an exceptional breadth and speed of delivery across the expanding surface area of decentralized finance.

Though profit has never been the sole motivation for Beefy, it is exciting nonetheless to report that Beefy has returned to profitability in the first quarter of 2023. Beefy's estimated net adjusted income for the quarter was \$126,765. This reflects both the persistence of the contributor team in delivering products and gaining market share, as well as the DAO's diligence in cutting expenses and adjusting fees during the bearish conditions. A thanks is owed to every member of the community who has stood by the project as hard decisions have been made to ensure its survival and future.

There may still be some way to go before the industry fully recovers from the recent bear market. With that said, the first quarter undoubtedly marked a strong step in the right direction for both Beefy and wider Web 3.0 movement.

#### Key Achievements

It is exciting to take this opportunity to reflect on all that Beefy achieved in the first quarter of 2023, and the massive strides it has taken towards its goal of making access to optimal DeFi yields easier and safer for everyone. Notable highlights include:

- attending industry events like Quantum Miami and ETHDenver
- delivering 222 new vaults
- offering 25 launchpool boosts
- entering new partnerships with the likes of linch, OKXWallet and Coinbase Earn, among others
- launching new ZAP V2 tooling
- integrating the new Yield Module
- adding a new Treasury Dashboard
- developing the Timelock Monitor
- launching on the Canto blockchain

## Beefy DAO

As an overarching theme, this quarter has seen Beefy focus on refining its core strengths: shipping lots of consistent, high-quality products; being an early pioneer on new protocols and blockchains; offering an unrivalled interface and user experience; and delivering value adds for our users through bribes, boosts and staking rewards. New initiatives like our Data Barn – which encapsulates the new Yield Module and user and treasury dashboards – demonstrate some exciting innovation, whilst remaining focused on delivering on the core values that Beefy is known for.

Beefy's reputation in this regard has been maintained and expanded throughout this quarter. But under the surface, a huge amount of progress and hard work is happening constantly, to keep Beefy at the forefront of decentralized finance.

Looking ahead, lots of exciting opportunities, innovations, partnerships and events are already planned for the remainder of 2023. And things are off to an incredible start!

### Reporting

Though Beefy's current operational structure and commitments do not require the provision of regular financial reporting, it is felt that the ideal approach to Beefy's governance should aim to reflect the highest standards of transparency and disclosure that users might expect from other market-leading public organizations.

This first report is a pilot issue, aimed at sharing what is currently known about Beefy's performance, and gathering feedback on what was useful and what readers would like to see more of. There will be much to improve and iterate on, and the report will likely give rise to more questions than answers. As such, all comments on this initial report will be welcomed received via Beefy's channels on Discord, Twitter or Telegram.

### Get Involved

Before getting into the nitty gritty of the report, it's worth reiterating to all readers that Beefy is a community-led project, that thrives because of the dedicated input of its contributors and community. The project's future rests on their continued input and passion for all things Beefy.

If you – the reader – like what you're seeing in this report, know that Beefy is always open to new faces wanting to get involved with its work. Feel free to reach out to the community on social media, submit a pull request to Beefy's public code repositories, or come find Beefy at your local convention.

And together, let's build the future of decentralized finance!

**Beefy DAO**  
**STATEMENT OF INCOME**  
(Unaudited)

	<b>\$USD</b>	
	<b>2022 Q4</b>	<b>2023 Q1</b>
<b>Revenues:</b>		
Estimated Vault Income	\$ 215,150	\$ 484,343
Validator Income	\$ 26,317	\$ 40,224
Market Making Income	\$ 12,914	\$ 8,831
<b>Gross Income</b>	<b>\$ 254,381</b>	<b>\$ 533,399</b>
<b>Costs:</b>		
Contributor Funding	\$ (306,800)	\$ (306,598)
Operational Costs	\$ (30,054)	\$ (103,398)
Bribes	\$ (53,116)	\$ (124,399)
Event Costs & Expenses	\$ (33,405)	\$ (45,881)
Other Marketing Costs	\$ (72,973)	\$ (8,815)
<b>Total Costs &amp; Expenses</b>	<b>\$ (496,348)</b>	<b>\$ (589,091)</b>
<b>Net Income</b>	<b>\$ (241,967)</b>	<b>\$ (55,693)</b>
OP Grant Spend	\$ (127,821)	\$ (182,458)
<b>Adjust Net Income</b>	<b>\$ (114,147)</b>	<b>\$ 126,765</b>

*See accompanying Notes to Financial Statements below.*

## Beefy DAO

## NOTES TO FINANCIAL STATEMENTS

**Note 1. General**

This report has been produced by Beefy contributors and not by professional accountants or auditors. The figures provided have not been audited, and are intended for informational purposes only.

Data in this report is primarily presented in terms of the US dollar, as the base accounting currency for the DAO. Beefy's treasury has deliberately chosen to operate primarily in USD-denominated stablecoins, to ensure stability and consistency in its financial activities.

Though stablecoins often do not maintain an exact 1:1 peg with their underlying currency, for the purpose of this report all stablecoins have been assumed to maintain an exact peg. This reflects Beefy's expectation that the peg for each stablecoin used as tender by its treasury will continue to fluctuate around that stable value.

Readers should note throughout that the figures in this report are estimates prepared to the best of the authors' knowledge and available information at the time of reporting. Please refer to the disclaimer below for further details of its limitations.

**Note 2. Vault Income**

Vault income means the amount of Beefy treasury inflows arising from fees charged on Beefy's vaults. Vault revenue, by contrast, is the total amount of fees charged on vaults, including fees paid to treasury and to \$BIFI stakers.

The current method for calculating vault revenue and income in this report is strictly an estimate, which is expected to be iterated and improved on over time. As such, these figures should always be considered critically.

The current method looks at the present yield and TVL of \$BIFI staking vaults (Maxi and Earnings Pool) on each chain. As the yield on these vaults is a function of the earnings across the entire chain, the nominal yield is calculated across the entire TVL, and divided by the ratio of staking fees to total fees to reach the total vault revenue. Similarly, the ratio of staking fees to treasury fees can be applied to calculate income.

As a result, the average estimated figures for each month are as follows:

**Fig. 1. Estimated Monthly Vault Revenue and Income**

	<u>Total Vault Revenue</u>	<u>Total Vault Income</u>
Oct-22	\$ 101,938	\$ 65,240
Nov-22	\$ 105,842	\$ 67,739
Dec-22	\$ 128,392	\$ 82,171
<b>Q4 2022</b>	<b>\$ 336,172</b>	<b>\$ 215,150</b>
Jan-23	\$ 136,697	\$ 87,486
Feb-23	\$ 209,280	\$ 133,939
Mar-23	\$ 410,809	\$ 262,918
<b>Q1 2023</b>	<b>\$ 756,786</b>	<b>\$ 484,343</b>

## Beefy DAO

This is far from an exact science. The figures average a snapshot of performance at a given moment, where in practice performance is highly and consistently volatile. Similarly, the calculation ignores fees which are paid out immediately to strategists and harvest callers, and does not account for fees and slippage incurred between nominal revenue and payments to \$BIFI stakers or the Beefy treasury.

The monthly figures can be extrapolated to annual figures as follows:

**Fig. 2. Estimated Annual Vault Revenue and Income**

	<u>Total Vault Revenue</u>	<u>Total Vault Income</u>
Oct-22	\$ 1,223,250	\$ 782,880
Nov-22	\$ 1,270,106	\$ 812,868
Dec-22	\$ 1,540,706	\$ 986,052
<b>Q4 2022</b>	<b><u>\$ 1,344,688</u></b>	<b><u>\$ 860,600</u></b>
Jan-23	\$ 1,640,363	\$ 1,049,832
Feb-23	\$ 2,511,356	\$ 1,607,268
Mar-23	\$ 4,929,713	\$ 3,155,016
<b>Q1 2023</b>	<b><u>\$ 3,027,144</u></b>	<b><u>\$ 1,937,372</u></b>

### Note 3. Validator Income

Validator income means the estimated earnings from operating blockchain validators to help secure some of the networks that Beefy operates on. These figures do not include any of the ongoing costs associated with operating validators, or the capital cost of setting up a validator in the first place.

As of the end of the first quarter, Beefy operates validators for three blockchains: Fantom, Fuse and Ethereum. Each operates in a slightly different manner, with different tooling available for the relevant network. As a result, calculating validator income requires slightly different methodologies for each validator. The net figures for the first quarter were:

**Fig. 3. Validator Income**

	<u>2022 Q4</u>	<u>2023 Q1</u>
Fantom	\$ 24,728	\$ 38,684
Fuse	\$ 1,588	\$ 1,540
Ethereum	\$ 391	\$ 551
<b>Total</b>	<b><u>\$ 26,317</u></b>	<b><u>\$ 40,224</u></b>
	<u>2022 Q4</u>	<u>2023 Q1</u>
Fantom	WBTC 1.36	1.7
Fuse	FUSE 26,518	21,187
Ethereum	WETH 0.33	0.35

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For the Beefy Fantom validator, earnings paid in FTM tokens are automatically claimed on a weekly basis, and immediately transferred into Wrapped Bitcoin (WBTC), before being sent to Beefy's Fantom treasury. Every so often, accumulated WBTC earnings are bridged to the Beefy Ethereum treasury for safekeeping, in light of the quantity and quality of liquidity options for BTC and WBTC on the chain. Fantom validator income is calculated as the aggregated value of WBTC treasury deposits, calculated at the WBTC price at the time of the treasury deposit.

For the Fuse validator, earnings are paid in FUSE tokens to the validator consistently at the time when blocks are validated. The available tooling for Fuse is the most limited of the three, necessitating a simplified method. The calculation uses the difference between the quantity of FUSE tokens staked by the validator at the start and end of the quarter to calculate the quantity of FUSE earnings, and applies the price of FUSE at the end of the quarter to that quantity to calculate earnings in USD.

For the Ethereum validator, the explorer provides granular data on validator performance. The calculation uses the daily income in ETH shown by the explorer, and applies the daily end price for ETH in USD to calculate the daily income of the validator. The quarterly income figure is an aggregation of the daily figures.

Using the quantity of tokens staked in the validator at the start of the quarter, the return on invested capital (ROIC) of each validator can be estimated on a quarterly and annualized basis as follows:

**Fig. 4. Validator ROIC**

	Quarterly ROIC	
	2022 Q4	2023 Q1
Fantom	6.5%	13.3%
Fuse	28.8%	27.4%
Ethereum	0.9%	1.6%
<b>Weighted Average</b>	<b>6.2%</b>	<b>12.4%</b>

	Annual ROIC	
	2022 Q4	2023 Q1
Fantom	28.6%	64.8%
Fuse	175.2%	163.4%
Ethereum	3.6%	6.6%
<b>Weighted Average</b>	<b>27.2%</b>	<b>59.4%</b>

### Note 4. Market Making Income

Market making income refers to earnings derived from buying and selling Beefy's \$BIFI token in public markets, to maintain liquidity and provide a counterparty to external trades.

At the start of 2022, Beefy partnered with System 9 – a professional market making service provider – to engage in market making activities and bolster liquidity for the \$BIFI token. In exchange for Beefy providing the required seed capital, System 9 handles all market making operations, and both organizations share in any profits generated by these activities.



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Market making profits do not necessarily correlate with market conditions. Though times of high activity and trading give rise to lots of transactions, trades in either direction can give rise to profits or losses where Beefy's assets are being traded for more or less than their value.

The monthly income over the previous two quarters has been:

**Fig. 5. Market Making Monthly Income**

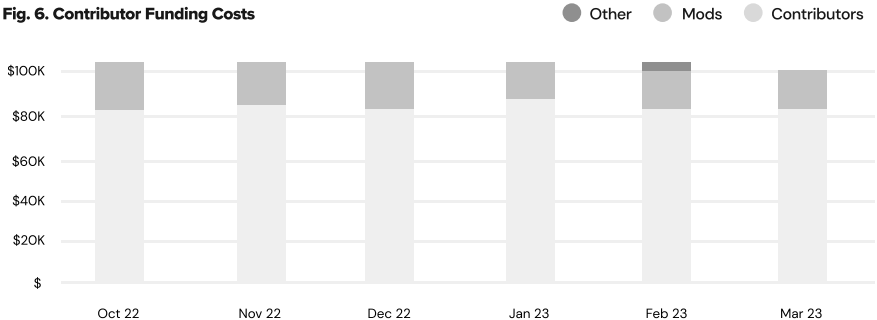
	<b>\$USD</b>
Oct-22	\$ -
Nov-22	\$ 7,068.75
Dec-22	\$ 5,845.36
<b>Q4 2022</b>	<b>\$ 12,914.11</b>
Jan-23	\$ 8,831.24
Feb-23	\$ -
Mar-23	\$ -
<b>Q1 2023</b>	<b>\$ 8,831.24</b>

Profits on marking making activities are only paid out to Beefy and System 9 where the addition of the current monthly net profit causes the total net profit across all previous months to exceed the aggregate amount of profits paid out over all previous months.

### Note 5. Contributor Funding

Contributor funding means payments to core contributors, moderators and other contributors – whether accrued on a reoccurring or ad hoc basis – for providing services to Beefy. These payments can be broken down as:

**Fig. 6. Contributor Funding Costs**



Total contributor funding costs in the first quarter were \$306,598, compared with \$306,800 in the final quarter of 2022.



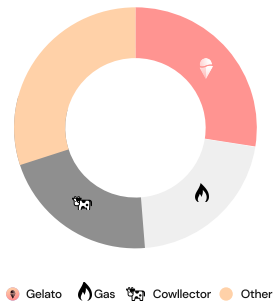
**Beefy DAO**

**Note 6. Operational Costs**

Operational costs means all payments relating to procurement of core services and products required to facilitate Beefy's ordinary operations.

This can be further broken down into: (i) Gelato automation; (ii) Beefy's Cowllector automation; (iii) Beefy's fee batcher automation; (iv) gas for development and operational transactions; and (v) other smaller types of costs, including external contractor fees, fees for SaaS, servers and hosting, service subscriptions and paid bounties, among other things. The breakdown between these separate categories for the first quarter is shown in Fig. 7.

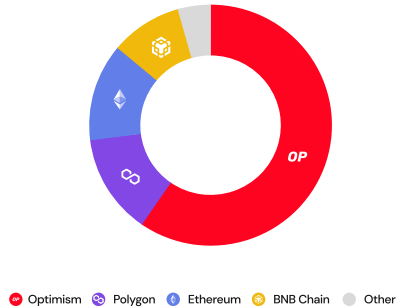
**Fig. 7. Operational Costs by Use**



Total operational costs for the first quarter are estimated at \$103,398, versus just \$30,054 for the last quarter of 2022.

These payments can also be sorted by the relevant chain used to make payment. With the breakdown for the first quarter as shown in Fig. 8

**Fig. 8. Operational Costs by Chain**



Note that in some cases funds are used from a given chain to cover costs relating to other chains where their respective treasuries may be less suitable. A key example is where Beefy has used its Optimism grant to pay for development/operational costs that extend beyond just the Optimism blockchain. When combined with the high cost of doing business on chains like Ethereum and BSC, this explains why the vast majority of operational costs were incurred on just 4 of Beefy's 19 chains.

**Fig. 9. Operational Costs**

	Spend on Operations (\$)	
	2022 Q4	2023 Q1
Gelato Harvest Automation	\$ 5,900	\$ 30,323
Cowllector Harvest Automation	\$ 15,875	\$ 11,863
Fee Batching Automation	\$ 289	\$ 98
Gas for Development & Operations	\$ 1,235	\$ 29,886
Other	\$ 6,754	\$ 31,228
<b>Total Operational Costs</b>	<b>\$ 30,054</b>	<b>\$ 103,398</b>

## Note 7. Bribes

Bribes refer to payments from Beefy into third party exchange protocols, for use as bribes in liquidity incentive gauge votes. By targeting timely bribes into developing exchanges, Beefy can achieve outsized returns in terms of the value of incentives paid on its liquidity pools (when compared with the cost of bribes). This rewards Beefy liquidity providers and encourages greater liquidity for \$BIFI token pools on the targeted exchanges.

In the first quarter, Beefy continued its significant bribe programme with Velodrome on Optimism, using the Optimism grant received in 2022. Alongside this, new bribes were initiated on 5 new protocols: Equalizer (on Fantom), Thena (on BSC), Equilibre (on Kava), Ramses (on Arbitrum) and Satin (on Polygon). In February, a governance proposal approved a new reoccurring bribe budget of \$5,000 per month.

This report accounts for bribes using the price of the token in USD at the time of the bribe. The total value of bribes was:

Fig. 10. Bribe Costs

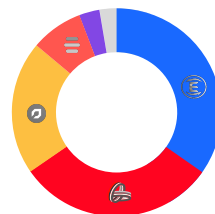
	\$USD	
	2022 Q4	2023 Q1
Velodrome	\$ 53,116	\$ 111,399
Equalizer	\$ -	\$ 6,500
Thena	\$ -	\$ 4,000
Equilibre	\$ -	\$ 1,500
Ramses	\$ -	\$ 500
Satin	\$ -	\$ 500
<b>Total</b>	<b>\$ 53,116</b>	<b>\$ 177,515</b>

Note that all payments relating to Velodrome were paid in \$OP tokens, meaning the USD value above reflects the changing price of the token. In Q1 2023, Beefy spent 49,375 \$OP tokens on bribes, versus 56,875 tokens in Q4 2022.

Though the value of bribes is important, each new exchange being bribed brings its own complexities and efforts in implementing a bribe programme, which are fixed regardless of the value of bribes. As such, a clearer visualization of Beefy's bribe efforts in the first quarter would be as shown in Fig. 11.

 Velodrome
  Equalizer
  Thena
  Equilibre
  Satin

Fig. 11. Number of Bribes by Exchange



## Note 8. Event Costs & Expenses

Events refers to the costs (i.e. sponsorship and materials) and expenses (i.e. travel, accommodation and per diem) associated with Beefy attending and exhibiting at industry events and conventions.

Throughout the year, Beefy attends a range of events across many different countries and continents. In the first quarter, Beefy attended Quantum Miami and ETHDenver. Payments were also made for upcoming attendances at Consensus (in Austin, Texas) and ETHCC (in Paris, France).

Payments relating to events typically consist of upfront costs for sponsorship and materials, and retrospective compensation for expenses. In January 2023, Beefy adopted a convention participation budget, allowing these expenses to be grouped together and handled at the core team's discretion, rather than requiring individual approvals for each event. Event costs can be split across the following selection of events:

Fig. 12. Event Costs

	\$USD	
	2022 Q4	2023 Q1
ETHToronto	\$ 5,000	\$ -
SmartCon	\$ 5,964	\$ -
Token2049	\$ 12,441	\$ -
Quantum	\$ 10,000	\$ 9,640
ETHDenver	\$ -	\$ 4,008
Consensus	\$ -	\$ 19,500
ETHCC	\$ -	\$ 12,733
<b>Total</b>	<b>\$ 33,405</b>	<b>\$ 45,881</b>

Note that the above figures only include expenses incurred in the relevant quarter. Many of the events taking place in Q4 included payments made in previous quarters for sponsorship and materials. Likewise, no expenses have yet been paid out for Consensus or ETHCC.

### Note 9. Other Marketing Costs

Beyond events, Beefy also incurs other costs relating to marketing activities, such as Beefy-led promotional boosts on vaults, and competitions and giveaways through social media.

Total costs for the quarter were as shown in Fig. 13.

Fig. 13. Other Marketing Costs

	\$USD	
	2022 Q4	2023 Q1
Vault Boost	\$ 72,544	\$ -
Giveaways	\$ 430	\$ 8,815
<b>Total</b>	<b>\$ 72,973</b>	<b>\$ 8,815</b>

In the first quarter of 2023, Beefy didn't incur any costs on boosts. It engaged in one promotional campaign around the launch of ZAP V2, in partnership with Layer 3 – a Web 3.0 quest platform.

### Note 10. OP Grant Spend

In 2022, Beefy was selected as a recipient for an Optimism ecosystem development grant, and received 650,000 \$OP to put to use in the ways suggested in its proposal. In particular, Beefy's grant focused on incentivizing liquidity on Optimism through Beefy and new development activities.

As spend relating to Beefy's Optimism grant is exceptional, this report adopts total spend in each quarter as an adjustment to Beefy's Net Income figure, to reach an accurate picture of profitability without the grant. Though some revenues may also be attributable to grant spend, it is not possible to accurately assess these amounts, for the purposes of a reciprocal adjustment.

Beefy's use of the Optimism grant in the first quarter can be broken down as shown in Fig. 14.

As the price of the \$OP token has continued to develop over the quarter, Beefy's spend in USD has fluctuated significantly, and in a manner which does not reflect the allocation of the underlying grant tokens. As such, a more accurate picture can be reached by looking at the allocation of \$OP tokens to each of the categories detailed in Fig. 15.

Fig. 14. OP Grant Spend by Use

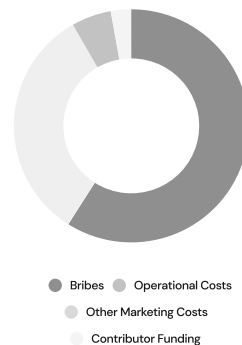


Fig. 15. OP Grant Spend by Use

	OP Grant Spend (\$OP)		OP Grant Spend (\$USD)	
	2022 Q4	2023 Q1	2022 Q4	2023 Q1
Contributor Funding	-	666	\$ -	\$ 1,798
Operations	4,375	27,765	\$ 3,046	\$ 60,581
Bribes	56,875	49,375	\$ 52,231	\$ 111,399
Marketing	86,500	7,000	\$ 72,544	\$ 8,680
<b>Total</b>	<b>147,750</b>	<b>84,806</b>	<b>\$ 127,821</b>	<b>\$ 182,458</b>

Over 400,000 \$OP tokens remain in the Beefy treasury on Optimism at the end of the first quarter.



## Quarterly Report

MARCH 2023

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