



Treasury Runway Analysis

Runway Summary

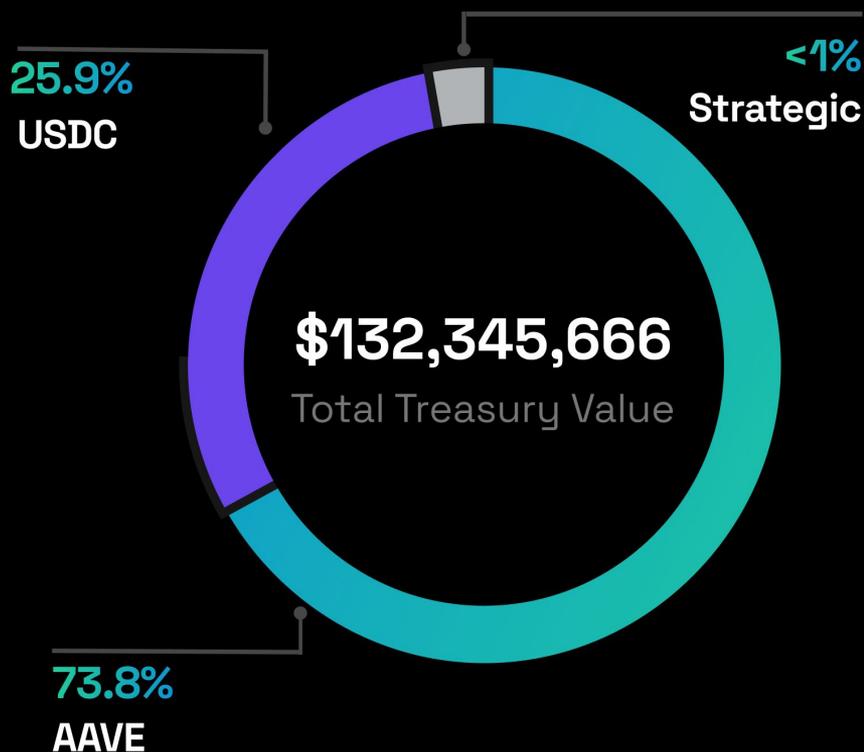
| Runway Scenario (in yrs)* | Bear | Base | Bull |
|---------------------------|------|------|-------------|
| Total Treasury | 2.5 | 3.2 | 3.6 |
| USDC - Only | 2.9 | 7.4 | Positive CF |
| AAVE - Only | 2.3 | 2.6 | 2.8 |

*Note: The three scenarios above are representative of fluctuations in market value assumptions, as follows:
Bear (-50%) / Base (no change) / Bull (+50%)

Aave Treasury: Treasury Makeup



Treasury Wallet Summary



| Asset * | Value (USD) |
|-----------|--------------|
| AAVE | \$97,631,788 |
| USDC ** | \$33,685,163 |
| Strategic | \$1,028,714 |

**Note: Adjusted based on treasury assumptions*

Treasury Adjustment Assumptions

Non-Stable to USDC Conversion: for runway forecasting purposes, we assumed that **all non-stable assets except for strategic assets are sold and included in the stablecoin runway.**

Strategic Partnership: for runway forecasting purposes, we excluded strategic assets, including CRV, BAL, CVX, and the incremental **partnership with Balancer DAO (part 2).**

| Asset | Nov-22 Actuals | Adjustments | | Nov-22 Adjusted |
|--------------|--------------------|-------------------------------|-----------------------|--------------------|
| | | Non-Stable to USDC Conversion | Strategic Partnership | |
| AAVE | 97,631,788 | | | 97,631,788 |
| USDC | 31,742,560 | 2,562,603 | (620,000) | 33,685,163 |
| Non-Stable | 2,562,603 | (2,562,603) | | 0 |
| Strategic | 408,714 | | 620,000 | 1,028,714 |
| TOTAL | 132,345,666 | | | 132,345,666 |

Current State of the Treasury incl. Assumptions

| Token | AAVE | USDC | Strategic |
|--------------------------|---------------------|---------------------|--------------------|
| Ethereum (ETH) | \$97,631,121 | \$16,415,969 | \$1,015,364 |
| Polygon (MATIC) | \$532 | \$8,834,177 | \$13,062 |
| Avalanche (AVAX) | \$21 | \$7,490,490 | \$0 |
| Other | \$114 | \$944,527 | \$288 |
| Total Value (USD) | \$97,631,788 | \$33,685,163 | \$1,028,714 |
| <i>% of Total</i> | <i>73.8%</i> | <i>25.4%</i> | <i>0.8%</i> |

Aave Treasury: Illustrative Runway



Key Assumption Vectors

Market fluctuation: While predicting future prices and market environment is impractical, we've chosen to run our analysis at five different average future market value for total value locked (TVL) in the Aave protocol: down 50%, down 25%, status quo, up 25%, up 50%.

Protocol fee revenue: reserve factor and liquidations income forecasted as a percentage of TVL in the Aave protocol, using a year-to-date historical average as the baseline for future revenues.

Staking revenue: for revenues generated on asset deposits, we've chosen to run our analysis using a 2.5% APY on stablecoin assets.

Assumed monthly expenses: we've reviewed Aave governance contracts for direct payments to third parties and for purposes of this analysis we've assumed \$1.9M, \$2.1M, and \$2.4M average monthly spend. See the monthly expense breakout for further details.

Monthly Expenses Breakout

| | Contract Amount (\$) | Term (Months) | One-Time Cost | | Monthly Cost | |
|---------------------------------|----------------------|---------------|------------------|---------------|------------------|---------------|
| | | | USDC | AAVE | USDC | AAVE |
| 3rd Party Vendor Expense | \$ 26,608,530 | | 5,446,000 | 20,897 | 1,521,667 | 15,507 |
| <i>Bored Ghost Developing</i> | 9,762,530 | 15 | 3,200,000 | 8,400 | 320,000 | 840 |
| <i>Aave Companies (est.)</i> | 4,000,000 | 12 | 0 | 0 | 333,333 | 0 |
| <i>Aave Grants DAO (est.)</i> | 4,000,000 | 6 | 0 | 0 | 333,333 | 10,175 |
| <i>Gauntlet</i> | 2,000,000 | 12 | 600,000 | 0 | 66,667 | 1,526 |
| <i>Llama</i> | 2,000,000 | 12 | 350,000 | 1,814 | 87,500 | 302 |
| <i>Certora</i> | 2,700,000 | 12 | 0 | 0 | 157,500 | 832 |
| <i>Sigma Prime</i> | 1,296,000 | 7 | 1,296,000 | 0 | 0 | 0 |
| <i>Chaos Labs</i> | 850,000 | 6 | 0 | 10,684 | 83,333 | 0 |
| <i>Expense Buffer</i> | | | | | 140,000 | 1,832 |

*Note: AAVE price = \$65.52.

** Contract amount reflects full contract amount listed in proposal, though some funds have already been paid from the treasury.

Illustrative Runway - Full Treasury Scenario

Aave's runway assuming Aave can utilize its full treasury (AAVE + USDC).

- Given that protocol fee revenue is derived from TVL and changes in market fluctuations impact both TVL and treasury assets, Aave's runway is highly variable based on Market Value.
- Base case treasury runway is estimated at **3.2 years** assuming current burnrate to continue.
- Assuming a market downturn of 50%, the bear case treasury runway is estimated at **2.5 years**.

| | | Years of Treasury Runway | | | | |
|--------------------------------|--------|--------------------------|-----------|------------|--------|--------|
| | | Market Value Assumption | | | | |
| | | Down -50% | Down -25% | Status Quo | Up 25% | Up 50% |
| Avg. 3rd Party Spend (Monthly) | \$1.9m | 2.7 | 3.1 | 3.4 | 3.6 | 3.8 |
| | \$2.1m | 2.5 | 2.9 | 3.2 | 3.4 | 3.6 |
| | \$2.4m | 2.2 | 2.6 | 2.9 | 3.1 | 3.3 |

Full Treasury Runway - Base Case

Aave's runway assuming Aave can utilize its full treasury (AAVE + USDC), token prices remain flat in USD terms, and spending remains the same.

| Full Treasury Runway | Monthly | Rolling 12mo Forecast |
|--|--------------------|------------------------------|
| Inflows from operations | 1,162,072 | 13,944,865 |
| Outflows from operations (LM & Staking) | (2,400,693) | (28,808,311) |
| Outflows from operations (3rd Party Vendors) | (2,094,361) | (25,132,327) |
| Change in Treasury Balance | (3,332,981) | (39,995,772) |
| Beginning Treasury Balance | 131,316,952 | 131,316,952 |
| Change in Cash | (3,332,981) | (39,995,772) |
| One-Time upfront vendor expenses | (1,598,000) | (1,598,000) |
| Price change in assets | 0 | 0 |
| Ending Treasury Balance | 126,385,971 | 89,723,179 |
| Treasury Burnrate (in years) | 3.2 | |

Full Treasury Runway - Bull Case

Aave's runway assuming Aave can utilize its full treasury (AAVE + USDC), token prices increase 50% in USD terms, and spending remains the same.

| Full Treasury Runway | Monthly | Rolling 12mo Forecast |
|--|--------------------|-----------------------|
| Inflows from operations | 1,708,287 | 20,499,439 |
| Outflows from operations (LM & Staking) | (3,601,039) | (43,212,466) |
| Outflows from operations (3rd Party Vendors) | (2,159,041) | (25,908,488) |
| Change in Treasury Balance | (4,051,793) | (48,621,515) |
| Beginning Treasury Balance | 131,316,952 | 131,316,952 |
| Change in Cash | (4,051,793) | (48,621,515) |
| One-Time upfront vendor expenses | (1,598,000) | (1,598,000) |
| Price change in assets | 48,815,894 | 48,815,894 |
| Ending Treasury Balance | 174,483,053 | 81,097,437 |
| Treasury Burnrate (in years) | 3.6 | |

Full Treasury Runway - Bear Case

Aave's runway assuming Aave can utilize its full treasury (AAVE + USDC), token prices decrease 50% in USD terms, and spending remains the same.

| Full Treasury Runway | Monthly | Rolling 12mo Forecast |
|--|--------------------|-----------------------|
| Inflows from operations | 615,858 | 7,390,291 |
| Outflows from operations (LM & Staking) | (1,200,346) | (14,404,155) |
| Outflows from operations (3rd Party Vendors) | (2,029,680) | (24,356,165) |
| Change in Treasury Balance | (2,614,169) | (31,370,030) |
| Beginning Treasury Balance | 131,316,952 | 131,316,952 |
| Change in Cash | (2,614,169) | (31,370,030) |
| One-Time upfront vendor expenses | (1,598,000) | (1,598,000) |
| Price change in assets | (48,815,894) | (48,815,894) |
| Ending Treasury Balance | 78,288,888 | 98,348,922 |
| Treasury Burnrate (in years) | 2.5 | |

Illustrative Runway - USDC Scenario

Aave's runway assuming Aave can only the stablecoins in its treasury and spending remains the same.

- Given that protocol fee revenue is derived from TVL and changes in market fluctuations impact both TVL and treasury assets, the USDC runway is highly variable based on Market Value.
- Base case USDC runway is estimated at **7.4 years** assuming a USDC outflow of \$360k every month.
- Assuming a market downturn of 50%, USDC runway is estimated at **2.9 years**.

| | | Years of USDC Runway | | | | |
|--------------------------------|--------|-------------------------|-----------|------------|-------------|-------------|
| | | Market Value Assumption | | | | |
| | | Down -50% | Down -25% | Status Quo | Up 25% | Up 50% |
| Avg. 3rd Party Spend (Monthly) | \$1.4m | 3.4 | 5.4 | 12.2 | Positive CF | Positive CF |
| | \$1.5m | 2.9 | 4.2 | 7.4 | 31.2 | Positive CF |
| | \$1.7m | 2.3 | 3.1 | 4.7 | 9.0 | 115.5 |



= assumes a positive monthly inflow of USDC.

USDC Runway - Base Case

Aave's USDC runway assuming Aave can only use the USDC in its treasury, token prices remain flat in USD terms, and spending remains the same.

| USDC Runway | Monthly | Rolling 12mo Forecast |
|--|-------------------|------------------------------|
| Inflows from operations | 1,162,072 | 13,944,865 |
| Outflows from operations (3rd Party Vendors) | (1,521,667) | (18,260,004) |
| Change in USDC | (359,595) | (4,315,139) |
| Beginning USDC Balance | 33,685,163 | 33,685,163 |
| Change in USDC | (359,595) | (4,315,139) |
| One-Time vendor expenses | (1,248,000) | (1,248,000) |
| Ending USDC Balance | 32,077,568 | 28,122,024 |
| USDC Burnrate (in years) | 7.4 | |

USDC Runway - Bull Case

Aave's USDC runway assuming Aave can only use the USDC in its treasury, token prices increase 50% in USD terms, and spending remains the same.

| USDC Runway | Monthly | Rolling 12mo Forecast |
|--|--------------------|------------------------------|
| Inflows from operations | 1,708,287 | 20,499,439 |
| Outflows from operations (3rd Party Vendors) | (1,521,667) | (18,260,004) |
| Change in USDC | 186,620 | 2,239,435 |
| Beginning USDC Balance | 33,685,163 | 33,685,163 |
| Change in USDC | 186,620 | 2,239,435 |
| One-Time vendor expenses | (1,248,000) | (1,248,000) |
| Ending USDC Balance | 32,623,783 | 34,676,598 |
| USDC Burnrate (in years) | Positive CF | |

USDC Runway - Bear Case

Aave's USDC runway assuming Aave can only use the USDC in its treasury, token prices decrease 50% in USD terms, and spending remains the same.

| USDC Runway | Monthly | Rolling 12mo Forecast |
|--|-------------------|------------------------------|
| Inflows from operations | 615,858 | 7,390,291 |
| Outflows from operations (3rd Party Vendors) | (1,521,667) | (18,260,004) |
| Change in USDC | (905,809) | (10,869,713) |
| Beginning USDC Balance | 33,685,163 | 33,685,163 |
| Change in USDC | (905,809) | (10,869,713) |
| One-Time vendor expenses | (1,248,000) | (1,248,000) |
| Ending USDC Balance | 31,531,354 | 21,567,450 |
| USDC Burnrate (in years) | 2.9 | |

Illustrative Runway - AAVE Scenario

Aave's runway considering its AAVE-denominated expenses.

- Assuming AAVE liquidity mining and staking expenses are paid as a percent of TVL, the assumed **AAVE runway is only impacted by fluctuations in the fair value of 3rd party expenses.**
- Base case AAVE runway is estimated at **2.6 years** assuming current burnrate to continue.
- Assuming a market downturn of 50% and increase in AAVE expenses, the bear case AAVE runway is estimated at **2.3 years**.

| | | Years of AAVE Runway | | | | |
|--------------------------------|--------|-------------------------|-----------|------------|--------|--------|
| | | Market Value Assumption | | | | |
| | | Down -50% | Down -25% | Status Quo | Up 25% | Up 50% |
| Avg. 3rd Party Spend (Monthly) | \$0.5m | 2.4 | 2.6 | 2.7 | 2.8 | 2.8 |
| | \$0.6m | 2.3 | 2.5 | 2.6 | 2.7 | 2.8 |
| | \$0.7m | 2.2 | 2.4 | 2.6 | 2.7 | 2.7 |

AAVE Runway - Base Case

Aave's runway considering its AAVE-denominated expenses, where token prices remain flat in USD terms, and spending remains the same

| AAVE Runway | Monthly | Rolling 12mo Forecast |
|--|--------------------|------------------------------|
| Inflows from operations | 0 | 0 |
| Outflows from operations (LM & Staking) | (2,400,693) | (28,808,311) |
| Outflows from operations (3rd Party Vendors) | (572,694) | (6,872,323) |
| Change in AAVE | (2,973,386) | (35,680,633) |
| Beginning AAVE Balance | 97,631,788 | 97,631,788 |
| Change in AAVE | (2,973,386) | (35,680,633) |
| One-Time upfront vendor expenses | (350,000) | (350,000) |
| Price change in assets | 0 | 0 |
| Ending AAVE Balance | 94,308,402 | 61,601,155 |
| AAVE Burnrate (in years) | 2.6 | |

AAVE Runway - Bull Case

Aave's runway considering its AAVE-denominated expenses, where token prices increase 50% in USD terms, and spending remains the same

| AAVE Runway | Monthly | Rolling 12mo Forecast |
|--|--------------------|------------------------------|
| Inflows from operations | 0 | 0 |
| Outflows from operations (LM & Staking) | (3,601,039) | (43,212,466) |
| Outflows from operations (3rd Party Vendors) | (637,374) | (7,648,484) |
| Change in AAVE | (4,238,412) | (50,860,950) |
| Beginning AAVE Balance | 97,631,788 | 97,631,788 |
| Change in AAVE | (4,238,412) | (50,860,950) |
| One-Time upfront vendor expenses | (350,000) | (350,000) |
| Price change in assets | 48,815,894 | 48,815,894 |
| Ending AAVE Balance | 141,859,270 | 46,420,838 |
| AAVE Burnrate (in years) | 2.8 | |

AAVE Runway - Bear Case

Aave's runway considering its AAVE-denominated expenses, where token prices decrease 50% in USD terms, and spending remains the same

| AAVE Runway | Monthly | Rolling 12mo Forecast |
|--|--------------------|------------------------------|
| Inflows from operations | 0 | 0 |
| Outflows from operations (LM & Staking) | (1,200,346) | (14,404,155) |
| Outflows from operations (3rd Party Vendors) | (508,013) | (6,096,161) |
| Change in AAVE | (1,708,360) | (20,500,317) |
| Beginning AAVE Balance | 97,631,788 | 97,631,788 |
| Change in AAVE | (1,708,360) | (20,500,317) |
| One-Time upfront vendor expenses | (350,000) | (350,000) |
| Price change in assets | (48,815,894) | (48,815,894) |
| Ending AAVE Balance | 46,757,534 | 76,781,472 |
| AAVE Burnrate (in years) | 2.3 | |

Key Takeaways

- The base case Aave treasury burnrate is forecasted at **3.2 years**, heavily driven by the **AAVE token burnrate of 2.6 years** and **monthly USDC outflows of \$360k**.
- In a bear case scenario, the Aave treasury burnrate is forecasted at **2.5 years**, and **monthly USDC and AAVE outflows of \$900K and \$1.7m, respectively**.
- Worst case scenario assumes an **Aave treasury burnrate of 2.2 years**, and **monthly USDC outflows of \$1.1m**.
- Best case scenario assumes a **Aave treasury burnrate of 3.8 years**, driven by the **AAVE token burnrate of 2.8 years** and **monthly USDC inflows of \$327K**.

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