Fundamental Report - Metaverse

Prime Rating Report V1.1

Protocol: Audius
Category: Media and Entertainment
Version: 1
Date: 13/04/2022
Previous Report: N/A

Author: sixtykeys and machuche
Reviewed by: Lavi
Season/competition: Metaverse Rate-athon

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	13 / 15
b) Target market size	13 / 15
c) Product-market fit	11 / 15
Total Points - Value Proposition	**37 / 45**
2. Competitive moat	**Points**
a) Integrations & partnerships	8 / 10
b) Intellectual property	7 / 10
c) Infrastructure - security	7 / 10
d) Infrastructure - fees and ancillary infrastructure	9 / 10
e) Treasury management	1 / 10
Total Points - Value Proposition	**32 / 50**
3. Tokeneconomics	**Points**
a) Genesis token distribution	7 / 15
b) Purpose of the token	6 / 10
c) Ongoing token issuance / inflation	8 / 10
d) Value capture	6 / 10
e) Token liquidity	4 / 5
f) Extrinsic productivity	1 / 5

metaportal | PrimeDAO

Total Points - Tokenomics	32 / 55
4. Team	**Points**
a) Credibility and reputation	9 / 10
b) Relevant experience	11 / 15
c) Thought leadership and public presence	6 / 10
d) Ability to foster a community and coordinate resources	12 / 15
Total Points - Team	**38 / 50**
5. Governance	**Points**
a) Extent of governance capabilities	6 / 10
b) Active governance contributors	2 / 5
c) Governance infrastructure robustness	8 / 10
d) Process and ease of use	4 / 5
Total Points - Governance	**20 / 30**
Total	**159 / 230**

1. Value Proposition

The "Value Proposition" section assesses the value a protocol delivers to its users. The rating is based on the size of the problem a protocol addresses and the product/market fit of the protocol's solution.

a) Novelty of the solution (15 points)

This score evaluates the novelty (uniqueness) of the protocol. Has the protocol introduced any innovations that help solve users' problems, either technical or organisational? Or has it just forked someone else's code?

Answer: Audius is the first fully decentralized music sharing and streaming service with a social media component. Audius is built with public blockchain infrastructure and other decentralized technologies. It's like Spotify or SoundCloud, but on the blockchain. Audius is owned and run by an open-source community of artists, fans, and developers, and has its own crypto token, AUDIO. Audius is currently free to use for the foreseeable future, as it is free to stream and upload content. They currently have no paid or subscription model like the other major players in the music streaming industry.

Audius was founded in 2018 by co-founders Roneil Rumburg and Forrest Browning. The protocol was launched with the vision to 'Give everyone the freedom to share and listen'. The protocol launched its mainnet service in October 2020 and is currently home to nearly 4.5 million unique monthly users, making it one of the largest non-financial crypto applications ever built.

metaportal | PrimeDAO

The music industry generates billions in revenue each year but only about [12% goes to content artists](). Artists also have minimal control over how their music is distributed and little visibility into who is streaming it. Audius aims to stand apart from its competitors by directing 90% of music revenue to artists, to address these and other problems faced by artists. The Audius project aims to give everyone the freedom to distribute, monetize, and stream any audio content.

They recently implemented a Solana-based engagement system to log and track users' interactions and create a social graph to reward fan relationships. It was originally built on [POA Network](), an Ethereum sidechain, and later moved parts of its service to the Solana blockchain. Developers can build their own apps on top of Audius, giving them access to a unique audio catalog.

Score: 13

b) Target market size (15 points)

The target market size evaluates the current and future size of the problem a protocol aims to solve. While the term Metaverse is all-encompassing, what is the target market size for the relevant sector? For example, NFT games are trying to disrupt the traditional gaming industry, which is reported to be worth roughly $175 billion.

Answer:
Audius aims to break into the global music streaming industry. Its main competitors include [industry giants]() like [Spotify](), [SoundCloud](), [YouTube Music](), [Apple Music](), [Tidal](), and [Amazon Music Unlimited](). But while these platforms have the artists and brand recognition, they lack the decentralized nature of Audius.
According to [Allied Market Research]() music streaming research, the global music streaming industry is expected to reach $24.7 billion by 2027.

Score: 13

c) Product-market fit (15 points)
Product-market fit evaluates the degree to which a protocol satisfies market demand in their specific sector. How many users does a protocol have? What is the trading or transaction volume on a platform? Is there growth on both the buy and sell side of the market? Is the protocol targeting the right product segment at all?

Answer:

Audius is the first decentralized music streaming protocol. This makes it the first mover in a very lucrative global market. As we move into a new creator economy, spearheaded by web3 technologies, we can expect more artists to move to decentralized platforms like Audius, with their listeners soon to follow.

There were 523.9 million global music subscribers in [Q2 2021](), based on MIDiA's recent annual music subscriber market shares report. Audius currently has [~ 4.5 million]() unique monthly users, which would represent just under 1% of the global music streaming industry. Audius also currently has over 75 million API calls per month. Metrics regarding the protocol's growth can be tracked in real-time using their [dashboard]().

Global streaming music subscription market, Q2 2021

Global streaming music subscription market, Q2 2021, global
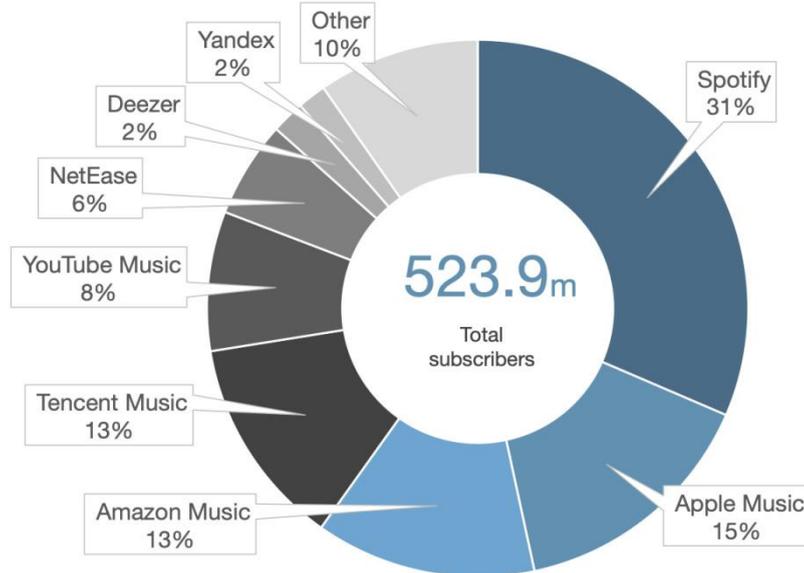
Source: MIDiA Research Music Subscriber Market Share Model 11/21

Score: 11

2. Competitive moat

The "Competitiveness" section looks at a protocol's competitive moat in the space and its unforkable assets. This includes integrations and partnerships, intellectual property, the underlying infrastructure being used, and treasury management.

a) Integrations & partnerships (10 points)

Due to crypto's open-source nature, the code of most protocols can easily be forked. This score represents one piece of unforkable value. Some indicators are the number of applications built on top of the protocol (vertical integration) and other entities integrating the protocol's services (horizontal integration).

Answer:
Audius is open and interoperable. The Audius protocol allows artists, fans, and node operators to collectively provide a high-quality end-user music streaming experience without centralized infrastructure. Open-source implementations of these components are being operated today by the community and can be found on the project's Github page.
Audius has an API that can be accessed by 3rd party apps. The API gives third-party apps access to more than 450K tracks, zero rate limits, and 320kbps High-Quality Audio. The API is totally free for use.
The protocol currently has over 82 million total requests from 3rd party API apps. The top 3rd party apps that access the Audius API can be viewed on their analytics dashboard.
Audius currently partners and features major artists such as Skrillex, Zedd, and Disclosure who alone have over 14 million combined Twitter followers.

Audius is also the first music streaming platform to partner with TikTok, the social media platform focused on video streaming. This enables TikTok creators to use songs from Audius directly in their videos. The fact that TikTok chose Audius over other mainstream competitors is a sign of confidence for AUDIO investors. The AUDIO token's market cap surged past $1 billion following the partnership but has recently come down since then.

Score: 8

b) Intellectual property (10 points)

Intellectual property is and will continue to be a crucial part of the metaverse. This score considers if a project, for example, developed a unique IP that creates a sustainable competitive moat around it or, as an alternative, secured IP through agreements with outside parties.

Answer:
Seeing as the Audius Protocol is a platform designed to host and distribute creator content, it currently has no unique IP, but being the first mover in the decentralized streaming service space as well as partnerships with huge partners like TikTok, gives Audius a unique advantage.
The platform has onboarded over 100,000 artists. And while it can be argued that content hosted on Audius could count as IP secured from outside parties; content creators have no agreement with Audius that stipulates any exclusivity. Meaning content uploaded by creators can also be submitted and shared on other music streaming platforms.

Score: 7

c) Infrastructure - security (10 points)

Metaverse projects make all kinds of choices when it comes to infrastructure. Some build their own solutions, whether Ethereum side-chains or a new blockchain entirely, and some deploy to an existing sidechain or a level 1 blockchain. These decisions have significant trade-offs across security, maintenance, ease of use, costs and scalability, etc. This score assesses specifically the security of the chosen infrastructure solution.

Answer:
The Audius blockchain is secured by two types of decentralized nodes that support the network: content nodes that host the content, and discovery nodes that index the content. Artists, fans, or any crypto enthusiast can become a node operator, by holding and staking AUDIO.

On an infrastructure level, Audius is built on three distinct layers:

- App layer: the protocol's surface layer, which includes the website, desktop and mobile app.
- Node layer: the total number of decentralized computers supporting the network.
- Blockchain layer: Audius' consensus algorithm and Audius Content Management System (CMS) is built on Solana's proof of stake (PoS) blockchain optimized for speed, throughput, and cost-efficiency.

Audius has selected Solana — a high-performance L1 blockchain capable of 50,000 transactions per second with costs as low as $0.00001 per interaction — to help scale the network. Solana offers cheap transactions, with around 1M transactions for $10. Fast block times at 400ms, with confirmations often under 1 second. Solana has also had a live Mainnet has been live for more than a year and processed billions of transactions. It is also decentralized, with over 180 nodes on mainnet, and over 500 on testnet.

Score: 7

d) Infrastructure - fees and ancillary infrastructure (10 points)

The section above assessed specifically the security of the chosen infrastructure solution. This score, however, looks at the other side of the scalability trilemma - fees and the ancillary infrastructure like bridges, wallets, etc.

Answer:

As the protocol subsidizes gas costs, Audius users do not have to pay any fees to use the platform. Streaming audio from the protocol is completely free. Uploading your own content is also free.

Score: 9

e) Treasury management (10 points)

Treasury management refers to the project's management of its assets and balance sheet. How diversified is its treasury? If diversified, are the assets productive? For example, does the project own its liquidity? Are there procedures and plans in place for managing the treasury?

Answer: The Audius Treasury currently consists of only the native token $AUDIO. 100% of the treasury is the protocol's own token, and no efforts are being made to diversify or make these assets productive on the governance forum.

Score: 1

3. Token Economics

The "Token Economics" section assesses the function of a protocol's token. This includes the token distribution, its functionality, the ability of the token to incentivise desired behaviors and value capture potential.

a) Genesis token distribution (15 points)

Token distribution can be an indicator of a healthy protocol and, if done well, can improve coordination and alignment among different stakeholders. Was the initial distribution fair and balanced? Are the tokens distributed widely or is the ownership concentrated?

Answer:

The [genesis distribution](#) of $AUDIO, consisted of a supply of 1B tokens at launch. Below is a visual of the circulating supply through July of 2026.
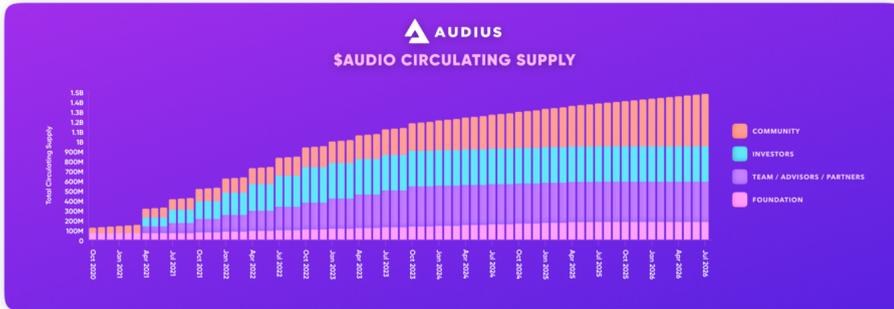
The [1B $AUDIO](#) minted at launch is approximately broken down as follows:

- $AUDIOdrop: 55M AUDIO (5.5%)
- Foundation Treasury: 178M AUDIO (17.8%)

65M $AUDIO from the foundation will be circulating at inception for launch incentives. The remainder is subject to a five-year unlock schedule starting on October 23rd, 2021.

- Team & Advisors: 406M AUDIO (40.6%)

Reserved for Audius founders, employees, and strategic artists/advisors.

All team and advisor tokens are subject to a three-year unlock schedule with quarterly unlock events and a six-month cliff.

- Investors: 360M AUDIO (36%)

Allocated to investors who participated in Audius funding rounds, totaling $9M raised across a seed round and a strategic round.

All investors are subject to a two-year unlock schedule with quarterly unlock events and a six-month cliff.

- $AUDIO Issuance

Audius features a 7% genesis annual issuance rate, used to continually reward the protocol's most active users, rather than simply allowing tokens to be hoarded by a few early adopters.

As can be seen above over 70% of the token allocation has gone to the team and investors, with less than 25% of the token distribution going to the community. In terms of lockups and vesting, Investors were subject to a 2 year unlock schedule which should almost be fully unlocked this year. Whereas the team was subject to a longer 3-year lockup.

While the lock-up periods are fair and ensure long-term commitment, especially from the team, the actual distribution is concentrated to a few stakeholders with community allocation being relatively small.

Score: 7

b) Purpose of the token (10 points)

This score evaluates the purpose of a token in the project's ecosystem. For example, does it provide utility? Does it have governance rights attached to it or a built-in value capture mechanism?

Answer:

Audius platform tokens ([$AUDIO](#)) have three prongs of functionality within the Audius protocol ecosystem:

- Security
- Feature Access
- Governance

To ensure content can be trusted and maintained, node operators are required to provide collateral or '[stake](#)' as a bond to service the protocol. This stake, denominated in $AUDIO, ensures that node operators have tokens at risk that can be slashed, or taken, in the event of malicious or poor behavior.

AUDIO is staked as collateral for a value-added service such as operating a node or participating in governance. In exchange, stakers earn ongoing issuance, governance weight, and access to exclusive features. In the future, AUDIO will govern a global fee pool from value transfers in the network.

Pulling from the recent movement around social tokens, the Audius community can access tiers that offer both social and feature benefits to users. This includes different tiers slotted at different levels of $AUDIO holdings. Each tier unlocks a unique aesthetic boost to the user's profile, allowing artists to stand out among the crowd in a web3 native fashion. These holdings can then correlate to different features on the platform itself. These tiers also map to different roles in the $AUDIOphile Discord, offering artists different ways to share tracks, thoughts, and ideas with other community members they know have an equal degree of skin in the game.

In summary, the AUDIO token provides some utility, revenue, and governance rights to the holder, but these features may not be as effective as some found in other protocols.

Score: 6

c) Ongoing token issuance / inflation (10 points)

Most tokens have built-in inflation. This section evaluates the purpose of that inflation. Is it justifiable? Does it help improve the coordination and alignment of incentives for the protocol? Does it incentivise positive-sum behaviour? Are the benefits flowing to all relevant stakeholders or just select groups?

Answer:

After the initial token distribution, Audius featured a [7% genesis](#) annual issuance rate, used to continually reward the protocol's most active users. The [Audius token](#) will be distributed by ongoing issuance modifiable by governance.The choice to launch with ongoing issuance is grounded in the desire to continually align the network's growth with new actors and their relative contributions, rather than concentrating governance power in the hands of early actors. Should the community see fit, a portion of ongoing token issuance will be allocated to the most active users of the protocol, dictated based on platform metrics and varying contributions in the form of discoverability, streams, and platform engagement.

[Issuance](#) aims to always funnel tokens into the hands of the most value-added community members. Audius recognizes that those who are the most active on the platform today are likely not to be the same actors driving the platform in 5 or 10 years, meaning $AUDIO needs to be distributed in such a way that new users can always earn a voice. The choice to offer ongoing issuance aligns power with those who are continually the most active on the platform, a mechanism Audius believes better suits future users of the protocol.

The issuance model of the AUDIO token incentivizes positive-sum behavior from the community and improves coordination of all relevant stakeholders.

Score: 8

d) Value capture (10 points)

The ability to accrue value and consequently distribute it to stakeholders can be an effective coordination mechanism and deliver long-term benefits to a project.

Answer:

Node operators must stake Audius tokens to operate a discovery node or content node, with a larger stake correlating to a higher probability of being chosen by fan clients. Node operators receive direct upside from seeding in the form of $AUDIO and the possibility of future protocol fees for actively seeding the protocol.

Content nodes maintain the availability of content and metadata in Audius on AudSP, the Audius-native extension to IPFS. These nodes can be run by node operators alongside an active network stake, giving them the opportunity to earn part of the ongoing Audius token issuance and aggregated fee pools, or can be run by an artist themself to host their own content.

Audius also has an $AUDIO rewards program with the goal to get more tokens into the hands of those actively creating value in the network, at its core, community-driven $AUDIO incentives are expected to be a huge catalyst for the platform's growth. Over time the community will adopt network updates that build towards ways to reward users for their ongoing value creation, measured as a combination of streams, playlists, followers, and feature testing.

The Audius platform was designed and continues to be transformed by the community, such that the top curators and API providers are eligible to share in fixed on-chain allocations each month, best highlighted by some of the content and features shared on the Audius blog

The AUDIO token, therefore, has no direct value accrual mechanism, but it does have distribution functionality built-in that supports protocol coordination..

Score: 6

e) Token liquidity (5 points)

Is the token widely available and is there sufficient liquidity to facilitate all protocol functionalities?

Answer:

AUDIO is widely available on both centralized (CEX) and decentralized exchanges (DEX). Most of the DEX liquidity can be found on Uniswap, with the largest pool being AUDIO-ETH on Uniswap V2.
As for CEX listings, AUDIO appears on major exchanges including Binance, Crypto.com, FTX, and a couple more tier 1 and tier 2 CEXs.

Score: 4

f) Extrinsic productivity (5 points)

Can the token be used outside of the project's ecosystem? For example, can it be used as collateral elsewhere, be staked for yield or rewards, etc.

Answer: As per a [core contributor](#) on their Discord server. They only advise staking via the Audius [dashboard](#). No extrinsic productivity opportunities were able to be identified on blue-chip DeFi protocols and any other extrinsic use cases for AUDIO were deemed too risky by the same contributor mentioned above.

Score: 1

4. Team

The "Team" section describes the quality of the team behind the protocol. The current version of Prime Rating favours teams that are publicly identifiable. In the case of an anon team, the track record of the specific anons involved can be taken into account.

a) Credibility and reputation (10 points)

Are the identities of the core team public? In the case of anon team members, do they have a track record or reputation in the crypto space?

Answer:

Audius was founded in 2018 by founders [Roneil Rumburg](#) and [Forrest Browning](#).

Audius has a fully public [team](#) of over 23 people, this includes the founders, developers, and non-technical personnel. The entire team has disclosed their identities, including providing public LinkedIn profiles which can be viewed [here](#).

Audius also has some pretty prominent advisors including [deadmau5](#) (Electronic Music Producer), [Bing Gordon](#) (Co-Founder of EA Games), [Justin Kan](#) (Co-Founder of Twitch), and many others.

Key Personnel at Audius currently includes:

[Roneil Rumburg](#) - Co-Founder & Chief Executive Officer

[Forrest Browning](#) - Co-Founder & Chief Product Officer

[Dheeraj Manjunath](#) - Head of Engineering

[Christina Rowland](#) - Head of Operations

Score: 9

b) Relevant experience? (15 points)

Does the team have a track record of execution? Have individual team members built a product or a business before? Does the team have the necessary skills? For example, if a project is making a game, do they have a game developer?

Answer:

Both co-founders have experience in entrepreneurship from previous ventures.

[Roneil Rumburg](#) (Co-Founder & Chief Executive Officer) most recently co-founded [Kleiner Perkins'](#) early-stage seed fund. At KP, he was responsible for seed investments into Blockchain and AI companies, including Lightning Labs. Roneil also previously co-founded a Bitcoin peer-to-peer payment company called [Backslash](#).

Forrest Browning (Co-Founder & Chief Product Officer) is a Forbes 30 Under 30 recipient, and most recently was a Co-Founder of StacksWare, an enterprise data center management platform started from a Stanford University research project. The company provides analytics at scale for Fortune 500 customers, and was successfully acquired in late 2017.

Dheeraj Manjunath (Head of Engineering) was previously Co-Founder & Director of Engineering at Triblio and studied computer engineering at VCU.

Christina Rowland (Head of Operations) was previously head of operations at Kleiner Perkins Caufield & Byers (KPCB) and studied at UC Santa Cruz.

Score: 11

c) Thought leadership and public presence (10 points)

To what extent do the protocol contributors participate in the public debate around the metaverse? Are the team members giving presentations, sharing their thoughts and opinions, and do they help raise the industry's collective intelligence?

Answer:

Roneil Rumburg is active on Twitter and also regularly attends web3 events both virtual and IRL. He is also active and makes appearances on major web3 and metaverse events like GeckoCon and Messari Mainnet.

Forrest Browning, the second co-founder has a less active Twitter and public presence, but he does occasionally appear on podcasts and interviews about the Audius Protocol.

Score: 6

d) Ability to foster a community and coordinate resources (15 points)

How effective is the team at attracting and coordinating resources for the benefit of the protocol? Do they manage the community well, fostering a welcoming and positive environment? Does the community represent the project well externally?

Answer:

Audius has undoubtedly been able to foster a strong community. They have successfully fostered strong communities across different social media platforms, having a strong Twitter following of close to 140k followers.

Their Discord is also very active with over 34k members and interactive with admins responding to messages typically within minutes. The Discord server however only focuses its community development strategy on English-speaking countries, as there are no channels for any foreign languages.

Their Telegram actually has a stronger community presence than their Discord, with over 59K members, but the majority of discussion still takes place on their official Discord server.

Pulling from the recent movement around social tokens, the Audius community can access tiers that offer both social and feature benefits to users. This includes different tiers slotted at different levels of $AUDIO holdings. Each tier unlocks a unique aesthetic boost to the user's profile, allowing artists to stand out among the crowd in a web3 native fashion. These holdings can then correlate to different features on the platform itself. These tiers also map to different roles in the $AUDIOphile Discord, offering artists different ways to share tracks, thoughts, and ideas with other community members they know have an equal degree of skin in the game.

Score: 12

5. Governance

The "Governance" section evaluates all aspects of the protocol's governance, from infrastructure to processes and distribution of governance power.

a) Extent of governance capabilities (10 points)

Distributed governance should allow token holders to participate in the governance process. How much influence does the current governance process have when everything works as intended? What parts of the protocol does governance touch? Who can put forward a vote, and are there any limits or requirements (number of tokens, only the team can queue votes up, etc.)?

Answer:

Node operators can submit proposals on-chain through the Governance portal. Every node operator has a minimum self-bond of 200,000 $AUDIO. Proposition power is correlated to the amount of AUDIO staked or delegated for network security, meaning node operators are the primary candidates for on-chain proposals. For node operators, Audius governance acts as a key tool to empower decentralized content storage, providing a direct mechanism for rewards to be earned and amended in line with the costs, value, and consensus of other providers on the network.

Governance looks to present both technical and non-technical proposals, giving all users the ability to properly voice their beliefs without needing to run a node or have a deep technical understanding of the Audius tech stack. All Audius tokens staked in the protocol automatically receive governance weight on a 1 token, 1 vote basis.

Key actors are empowered to shape, mend and modify underlying parameters of the Audius protocol including but not limited to:

- ⌢ Feature Integrations
- ⌢ Royalty Rates
- ⌢ Token Distribution
- ⌢ Fee Pool Allocation
- ⌢ Staking Rewards

By creating a framework for users to adjust the direction of the protocol in line with their shared beliefs, Audius will curate governance to the most value-added actors, possibly tying in incentives to those who are most active. and

Score: 6

b) Active governance contributors (5 points)

Governance is time-consuming, and governance apathy is a common problem in most democratic systems, including crypto. Therefore, it's essential to have a sufficient number of community members allocate resources to the governance process of the protocol. How many individuals participate in the debate around the protocol? How active are voters? Is delegation enabled?

Answer:

All on-chain proposals can be found on the protocol's [Dashboard](#). Audius also has a [governance forum,](#) but the discussion here is limited and there is not much activity. In addition, there is no dedicated governance channel on their Discord to host any discussions around governing the protocol.

Governance participation however is particularly low, with only 8 - 9 voting addresses on their [recent proposals.](#) [Delegation](#) is enabled for the Audius protocol, and you can delegate to a list of node operators.

Score: 2

c) Governance infrastructure robustness (10 points)

Robust infrastructure relates to how well the technology, software, and models used by the protocol's governance withstand actual use cases. Does the protocol have a reliable voting mechanism? How robust is the governance process, and does it facilitate good governance? Are the votes binding, or do they function solely as signals to the team?

Answer:

Their on-chain [governance platform](#) has proven reliability, having been in place for more than a year, with over 90% of proposals successfully meeting quorum. Information relaying the specification is presented along with the votes, including links to discussions on the [governance forum](#) or links to the [Github repo](#). Governance participants also have the ability to make changes to the governance system such as increasing the voting period from 48 to 72 hours. Only Node operators can submit proposals, and every node operator has a minimum self-bond of 200,000 $AUDIO, covering the skin in the game necessary to ensure security.
Since their governance platform is on-chain, a majority of the votes that pass through governance are consistently [executed](#) and are considered binding.

Score: 8

d) Process and ease of use (5 points)

This score is based on the documentation and process for governance. More specifically, how easy it is to participate in governance. Does the protocol have a formal governance process? Is sufficient documentation available? Is there a basic framework to establish social consensus? Are there channels dedicated to governance debate?

Answer:

The protocol has several instances of documentation on how to participate in their governance process. This includes an outline of the process on their [docs](#), as well as multiple [blog posts](#). Everything is documented, shared transparently, and open to anyone in the community.

Audius also makes an active effort to educate their community about [why governance is important](#).

Unfortunately, there is only a single forum for governance discussion, their governance forum, with no channels for debate or discussion on their forum.

Score: 4

About the Author:

➢ Sixty Keys (Brian Adam) is a Web3 native and believer in a decentralized economy. Also a contributor at the Index Coop. They can be found on Twitter @sixty_keys.

➢ Machuche (David Machuche) is a Web 3 enthusiast, believer & contributor. They can be found on Twitter @machuche_