HOUDINI SWAP (LOCK)

DeFi's Most Undervalued Cross Chain Aggregator

"Transact Freely"

PROJECT **SUMMARY**

- Houdini Swap is the market leader in compliant privacy and cross-chain swap aggregation, offering unique banking level transactional privacy as well as cross-chain swaps for over 4,000 tokens.

- The recent Tornado Cash decision is uplifting for the entire privacy sector, with the court suggesting that developers must design their products with mechanisms to reduce or prevent illicit use, which is exactly what Houdini does and fundamental to its UVP, opening them up to a far wider market.

- Houdini Swap has been growing swaps week on week for over a year with growth accelerating markedly in recent months, indicating both new user growth and high user retention.

- Houdini Swap is exponentially growing its trading volumes and takes the highest percentage of fees compared to FDV of any other project and is a top 30 Holders Revenue project on DefiLama, where its immediate peers are valued at 10x to 100x higher.

- LOCK is the utility token of Houdini Swap, and offers high staking yield, 66% APY at time of printing, entirely funded by fee revenue with deflationary mechanics reducing total token supply.

- Houdini Swap is currently producing annualized revenue of $6M, which assumes no further growth, with a FDV of ~$40M, giving it a P/E ratio of 6.5x making it vastly undervalued compared to its peers, which have an average P/E ratio of 53.6x.

- Houdini Swap's community is substantial and expanding further due to its cross-chain offering with co-marketing consistently occurring with sector leading ecosystem partners including Layer 1s like Aptos, Arbitrum, Avalanche, Base, BSC, Casper, SUI, Thorchain, TON and Tron in addition to weekly co-marketing campaigns with sector leading projects which recently included Aerodrome, GMX, Neiro, MOG and many more.

- Houdini Swap is launching the LOCK token shortly on Solana, supported by leading Solana ecosystem partners, and with it is driving its utility narrative via its MUGA (Make Utility Great Again) marketing campaign.

Token: LOCK

Price: **$0.4347**
(As of 22nd November 2024)
Fair Value: **$1.87**
Bull Case: **$5.20**
Bear Case: **$0.20**
All Time Range: **$0.2489 - $1.30**

Key Metrics

Market Capitalization: **$41,851,115**
FDV: **$41,851,115**
Treasury: **$3,769,711**
LOCK Volume (30D): **$4.67M**
Fees (30D): **$530K**
Circulating Supply Staked: **25.793%**
Staking APY: **44%**
(As of 22nd November 2024)
Token Inflation: **0%**

- **Cross-Chain & Privacy:** Houdini Swap offers cross-chain swaps for over 4000 tokens with the additional option of transactional privacy via its unique privacy features.

- **Sustainable Rewards**: Staking is powered by the utility token LOCK, which can be staked for a fully funded, fully sustainable APY, where rewards come from token buybacks funded from fee income only; there are no emissions.

- **Deflationary:** LOCK is burnt weekly based on withdrawal penalty fees where stakers opt to withdraw immediately, and with a fixed supply LOCK has a lower total supply over time.

OVERVIEW

Houdini Swap is the market leader in compliant privacy

where swaps and cross-chain swaps protect the sender's wallet and financial data from counterparties. As a liquidity aggregator it is also a provider of regular cross-chain swaps which are unique in their breadth of Layer 1 interoperability. It has maintained consistently strong growth in swap count, users and volumes, even in the DeFi bear market of last year. It strongly suggests significant retention where repeat users utilize the swaps regularly regardless of speculation. Growth has significantly increased since the launch of a new scalable marketing strategy in August 2024, which has sky-rocketed with the Trump-election rally and the increased trading activity it has caused.

To date Houdini Swap has achieved over $1 billion in total swap value. It uses the majority of its revenue to buy back its utility token $LOCK which it distributes as rewards to stakers. It has bought back over $4M of LOCK since project inception in 2023 with annualized buy backs now exceeding $6M. Users stake LOCK to earn rewards, emitted from the buyback pool. The value proposition of LOCK is its strong tokenomics with long term value accrual and approaching scarcity of supply, which will likely lead to strong price appreciation from the growing buybacks tied to protocol revenue. At the date of writing LOCK's staking APY is 66% with staking APYs approximating 40% or more since August 2024.

Houdini Swap has the potential to become the de facto cross-chain bridge for exotic tokens. This transaction interoperability is combined with strong ecosystem partners. Partners seeking such interoperability to bring on liquidity consistently co-market with Houdini Swap, allowing it to gain new users and take market share in emerging communities on a substantial number of Layer 1s, many of which themselves are market leaders. This is especially so for those that aren't widely integrated or supported by incumbent bridging protocols. **This is not priced into Houdini Swap's valuation at all**, which is already heavily undervalued purely based on trade volume, fee metrics and value accrual to token holders.
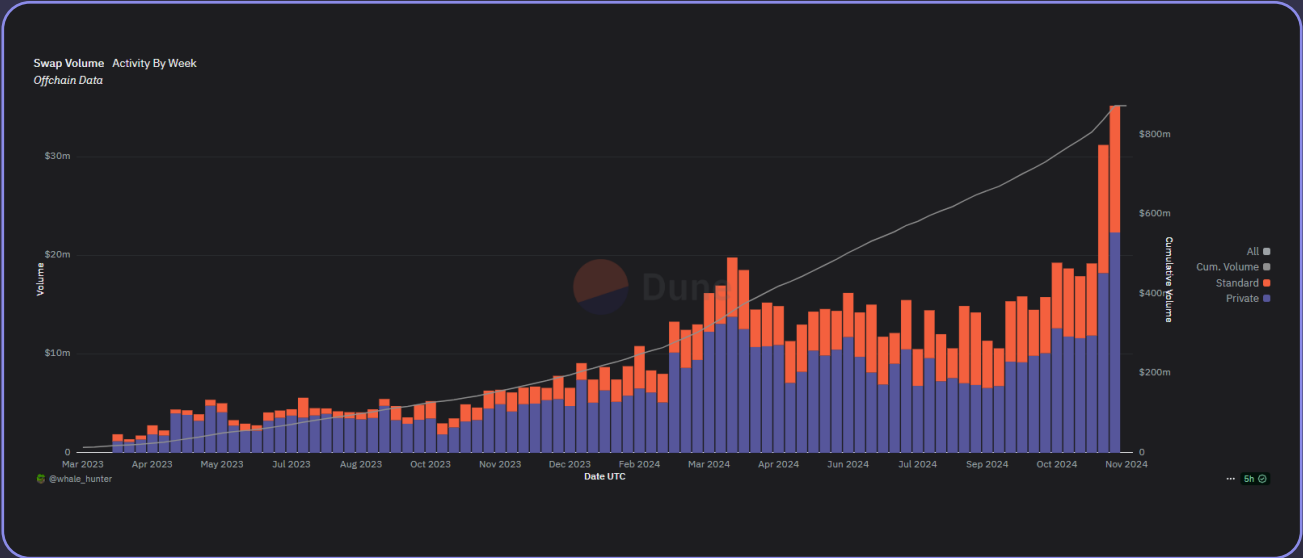
CURRENT PRODUCT

Swap Volume Activity By Week
Offchain Data

Figure 1: Houdini Swap - Total Swap Volume

Houdini SwapSwap
Product Overview

- Houdini Swap V2 focused on compliant privacy, where it utilizes 3 blockchains and 2 non-custodial CEXs in each private transaction, and employs only industry leading exchange partners operating AML scanning processes to underpin compliance.

- Houdini Swap V3, launched in July 2023, adding cross-chain functionality with more than 4000 tokens offering more than 8M potential pairs.

- Houdini Swap offers an elegant, secure and simple alternative to bridging with one click swapping any token on any chain to any token on any chain.

Houdini Swap V3
Cross-Chain Swaps

Houdini Swap V3 is the latest iteration of their offering and addresses the issue of fragmented liquidity across blockchains. The platform was upgraded to include a super aggregation layer for one-click swaps from any token on any chain to any token on any chain. Combining every major on-chain liquidity source to deliver more than 4,000 tokens across more than 50 chains, users can move in and out of any position simply, securely and easily, with new tokens and chains being added continually.
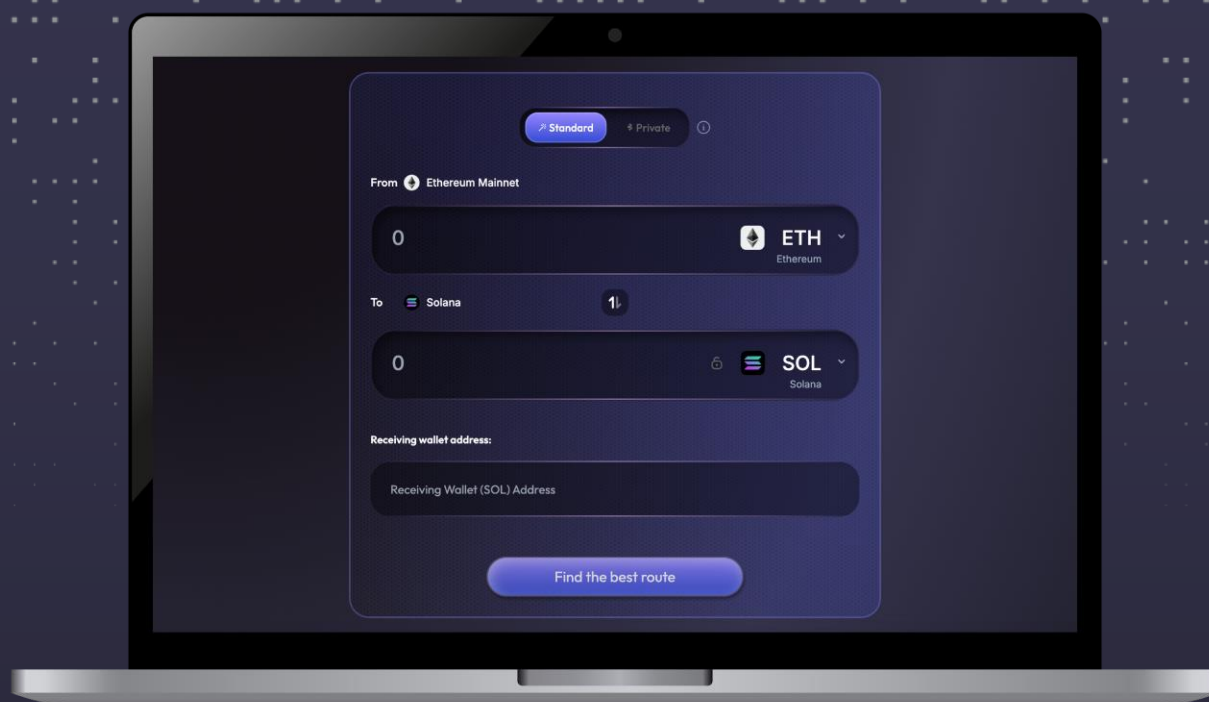
Figure 2: Houdini Swap V3

Houdini Swap V2 Compliant Private Swaps

Houdini Swap routes orders through the best possible liquidity providers in terms of price, taking slippage and other fees into account. When it comes to privacy one of the most effective ways to ensure this is to go off-chain. Houdini Swap uses two non-custodial CEX partners in a unique dual-exchange system for each private transaction.

CEXs are off-chain and therefore cannot be publicly tracked with each accessing a large portfolio of deep liquidity pools on multiple blockchains. This allows the CEX partner to receive assets from one blockchain and deliver assets across another. The first exchange, the intake exchange (CEX 1), receives tokens from the sender before swapping and sending them across another Layer 1 to the second outtake exchange (CEX 2). CEX 2 swaps the received Layer 1 token

and sends the selected token to the destination wallet. The randomly selected Layer 1 and its native token operating between the CEXs acts as a 'privacy tunnel'. The CEXs and the Layer 1 disconnects the sender's original tokens from the receiver's final tokens, breaking any direct link between the two parties involved in the transaction.

Since neither CEX is aware of the other, with API calls facilitating the entire process, no single party has the full transaction path. Being non-custodial means the CEX's control over user funds is limited and the use of single wallet addresses prevents misappropriation. To date, Houdini Swap has never lost a dollar of user funds. Each CEX partner undertakes AML scanning and compliance management for each part of the transaction for which they are responsible.

KYC-FREE YET COMPLIANT

Houdini Swap utilizes non-custodial CEX partners like Changelly and ChangeNOW. These CEXs are also used by Ledger and Trezor to offer swaps directly from their apps. These CEX partners do not request KYC yet operate industry standard AML systems with Houdini Swap regularly monitoring their processes to ensure these standards are upheld.

Houdini Swap never pools user funds, never charges users a fee and every transaction is discreet and independent. **Its exchange partners operate AML and ATF systems which prevent illicit use and conforms with the required standards defined in the recent <u>Tornado Cash case</u>.**

Houdini Swap has also implemented a transaction cap for private transactions of US$100,000 to dissuade illicit users. They additionally implement control measures such as blocking dark web use and OFAC-sanctioned countries. Houdini Swap also retains a world class legal team, including Jason Gottlieb of Morrison Cohen, one of the leading crypto lawyers in the world.

Houdini Swap complies with all legitimate legal authority requests. While no single CEX partner has the full transaction path, authorities can approach both CEXs to gain this and being able to do so complies with a fundamental compliance requirement of key regulatory jurisdictions.

BUSINESS MODEL

Houdini Swap does not charge the user any fees, and their partnership with exchanges ensures they get the most competitive rates compared to retail users. Their revenue is earned as rebated fee income from their exchange partners, meaning the rates the end user pays remain unaffected.

For cross-chain swap fees are between 0.2 – 0.4% and off-chain swaps range from 0.4% - 1.5% depending on the type and assets involved.

03 | HOUDINI'S **REVENUE METRICS**

- Houdini Swap generates fee income of 0.2 - 0.5% of transaction volume.

- The majority of fee revenue is used to buy back LOCK on-market and redistribute it as rewards to LOCK stakers.

Growing And Verifiable Cash Flows

Houdini Swap directly benefits from the growing crypto market and its number one use case, token speculation through swaps. Since launching in Q1 2023, Houdini Swap has spent $4m on buybacks and is currently generating annualized buyback revenue exceeding $6M. By applying revenue this way to token holders, the buybacks drive fundamental value into LOCK.
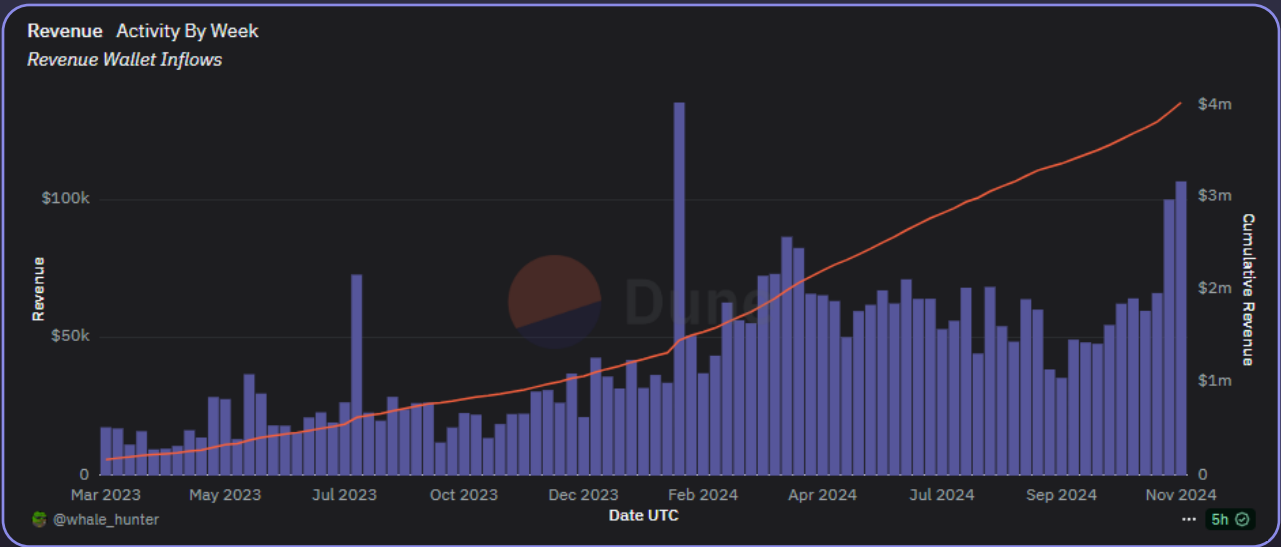

Figure 3: Houdini Swap Revenue   Source: https://dune.com/whale_hunter/houdini-swap

04 | **BRIDGE** PROTOCOL SECTOR

The target addressable market for bridging protocols is enormous, with average daily volumes reaching $400-500M aggregate in Q4 2024. The market for fast and cheap cross-chain swaps continues to grow as users continually adapt to a multichain future. Privacy related transactions are a smaller sub-set of this market, but it is a market that Houdini Swap dominates as the market leader in compliant private swaps.
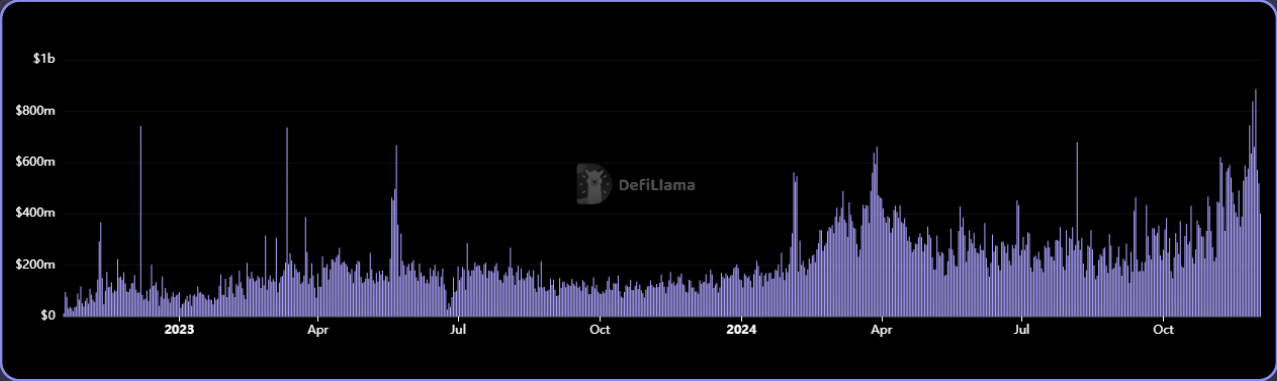
Figure 4: Aggregate Bridge Volume Transfer   Source: https://defillama.com/bridges

The trend for bridge volume has increased, and as the market continues to rally into 2025 one of the primary beneficiaries of increased speculation and price action are bridges. Another growing trend is chain abstraction, where users are able to utilize one click access layers to purchase and swap tokens cross-chain without needing to be aware what is happening behind the scenes. Bridge protocols will continue to be the beneficiaries of this.

05 | COMPETITOR ANALYSIS

Name	Chains	1d Change	24h Volume	7d Volume	1m Volume	24h# of Txs
Circle CCTP		+56.89%	$82.12m	$681.12m	$2.259b	2150
Orbiter Finance	+9	122.45%	$56.39m	$478.58m	$1.604b	39857
Stargate	+9	+165%	$80.2m	$358.03m	$1.573b	22372
Across	+3	+19.38%	$47.95m	$363m	$1.219b	13301
IBS	+85	-6.56%	$42.65m	$321.18m	$966.78m	39145
Arbitrum Bridge		+176%	$13.08%	$156.55m	$906.42m	71
Polygon PoS Bridge		+88.41%	$7.73m	$130.33m	$602.61m	115
deBridge	+3	+22.00%	$26.47%	$190.43m	$522.86m	3363
Meson	+19	+179%	$1.43m	$79.47m	$349.18m	185
Synapse	+8	-5.73%	$9.32m	$76.91m	$244.74m	385

Source: https://defillama.com/bridges

The top ranking bridges in crypto do vary regularly, and not all of them have native tokens. Some of the most widely used cross-chain bridges with tokens include Stargate, Across, DeBridge and Synapse. Whilst Houdini Swap offers a similar experience, and outright superior when considering the amount of chains it can service (4,000+) versus its competitors, it is the incredible discrepancy when it comes to fee generation and valuation that makes Houdini Swap so deeply undervalued.

Houdini Swap is trading at a mere 6.5x FDV/Fee metric, whereas the average out of the four major bridging protocols analyzed is 205.2x. This is over 31x the difference.

Protocol	Token	Bridge Volume	Protocol Fees	FDV	FDV / Fees	Market Cap	Price / Fees
Stargate	$STG	$11B	$8.7M	$368M	42.2x	$161M	18.5x
Across	$ACX	$12.3B	$7.6M	$313M	41.1x	$64M	8.4x
DeBridge	$DBR	$4.8B	$361K	$237M	656.5x	$42M	116.3x
Synapse	$SYN	$1.2B	$1.6M	$130M	81.2x	$114M	71.2x
Average	-	$7.3B	$4.5M	$262M	205.2x	$95M	53.6x
Houdini Swap	$LOCK	$2.5B	$6M	$40M	6.5x	$40M	6.5x

Figure 6: Peer Comparison Table

Source: Token Terminal, DefiLlama (20/11/24)
Note: Fees and Volume annualized from 30 day metrics.

Houdini Swap also is the only project among these to pass such a significant percentage of its revenue back to stakers. This makes it the most undervalued by a significant margin compared to its competitors. Furthermore, many of these bridging protocols utilize their token as emissions to reward users for using the protocol. Houdini Swap does not incentivize like this and LOCK tokens are treated as scarce and valuable, bought back by revenue. Houdini Swap's adoption is entirely organic and not driven by any emissions.
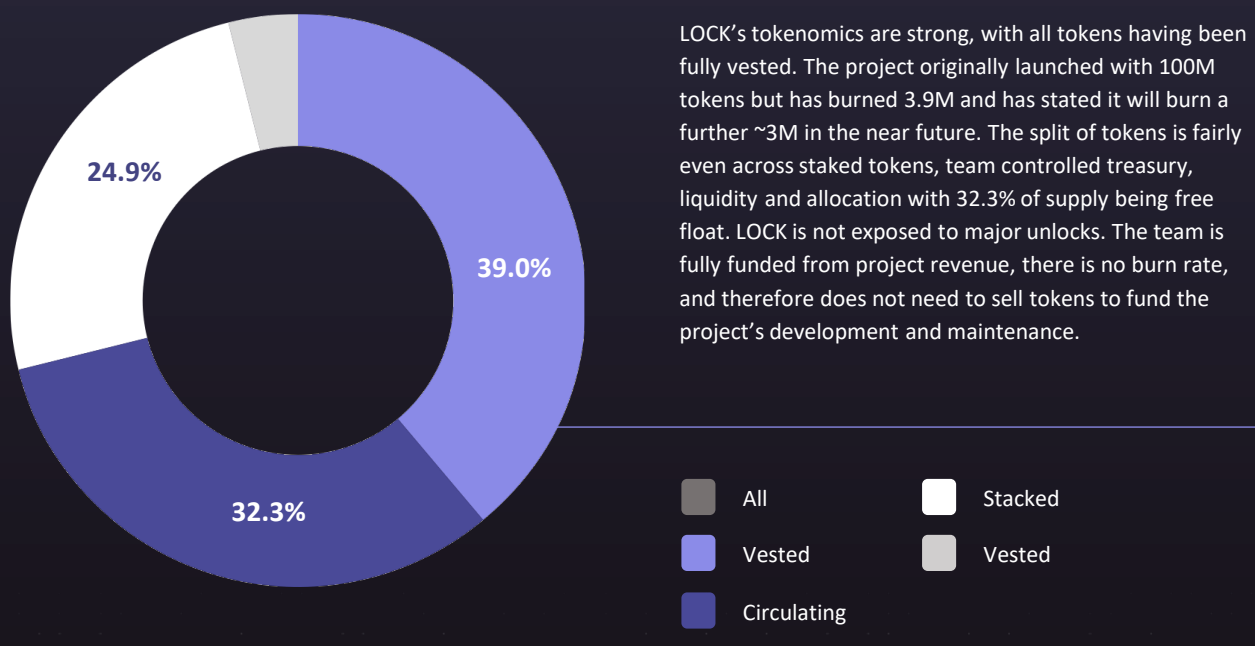
06 | LOCK TOKENOMICS AND UTILITY

LOCK's tokenomics are strong, with all tokens having been fully vested. The project originally launched with 100M tokens but has burned 3.9M and has stated it will burn a further ~3M in the near future. The split of tokens is fairly even across staked tokens, team controlled treasury, liquidity and allocation with 32.3% of supply being free float. LOCK is not exposed to major unlocks. The team is fully funded from project revenue, there is no burn rate, and therefore does not need to sell tokens to fund the project's development and maintenance.

Legend:
- All
- Vested
- Circulating
- Stacked
- Vested

Figure 7: LOCK Token Distribution

Source: https://dune.com/whale_hunter/houdini-swap

Rank	Holder	Balance	1d Δ	7d Δ	Balance USD
1	Houdini swap: Staker	25,792,718	0	133,480	$10,429,172
2	treasurystrategic.locktoken.eth	9,322,993	3.725290298461914e-9	-99,724	$3,769,711
3	Houdini swap: Core Advisors and Team	8,325,280	0	0	$3,366,290
4	Houdini swap: CEX/DEX Liquidity Supply	4,748,163	0	0	$1,919,899
5	0x000000000000000000000000000000000000dead	3,934,744	-2.3283064365386963e-9	276	$1,590,996
6	Houdini swap: Burn Pending	3,888,400	0	0	$1,572,257
7	Houdini swap: MEXC Liquidity	3,853,909	0	59,871	$1,558,311

Figure 4: Aggregate Bridge Volume Transfer   Source: https://defillama.com/bridges

	Tokens	% Total	USD
Total Supply	96,065,256	100%	$38,886,178
LOCK Treasury	9,322,993	9.323%	$3,769,711
Pending Burn	3,888,400	3.888%	$1,572,257
Free Float Supply	82,853,863	86.247%	$33,522,672
Staked LOCK	25,792,718	25.793%	$10,429,172
Team and Advisors	8,325,280	8.325%	$3,366,290
CEX Liquidity	8,602,072	8.602%	$3,478,210

Note: Accurate as of 21/11/2024

LOCK Staking and Utility

- Staking rewards are funded solely from the buyback wallet.

- The buyback wallet is solely funded from project revenue.

- A 90-day unstaking period applies with penalties fees for immediate unstaking, which is shared between the staking pool and funding project development with 20% of LOCK from the penalty being burnt.

The LOCK staking program incentives holders to stake, so that as the project grows the revenue, buyback and burn flywheel will eventually reduce the supply to an extent that price appreciation per unit is highly likely to maintain or increase market capitalization.

The artificial scarcity that has started to happen with LOCK's supply makes it a very tightly held free float. As buybacks continue to increase, the 3,3 game theory takes effect and as more token holders choose to stake, the ability for the price to appreciate due to lack of sell pressure and consistent flows is high. This staking scarcity is not replicated across any of LOCKs peers.

The staking yield on LOCK has increased with fee revenue throughout 2024, ranging from 20-40% and more, and at the time of writing is 66%!

Almost 8% of LOCK's total supply is scheduled to be burned in 2024/2025. This means that an additional 8% in real yield is being passed on to LOCK stakers. In November 2024, volumes on Houdini Swap and across the market have grown massively, and if this trend continues into 2025 this will directly correlate onto Houdini Swap's revenue and ability to buy back more LOCK.

- Houdini Swap has a strong community, clear utility and DeFi focus that has potential to grow significantly once DeFi interest and mindshare rotates back.

- Houdini Swap is notable in the privacy community, and is utilized by many major KOLs and founders who have relationships with the team and support it due to liking the product.

- Houdini Swap has made major strides in partnerships and has co-marketed with the biggest and best in the sector, and arguably has one of the best spread of co-marketing projects in crypto for a project of this stage.

Houdini Swap has a strong community, which is of a substantial size compared to its market capitalization.

The community is engaged in social channels and supports the project on X. The project originally developed its community from KOLs and founders who were interested in privacy solutions, but since the launch of cross-chain swaps Houdini Swap has targeted retail users who are interested in swapping tokens, especially those not supported by the major cross-chain bridges like Across and Stargate.

To this effect, Houdini Swap has developed partnerships and co-marketing with some of the strongest and most well known projects in all of crypto, across different verticals from DeFi, memes to Layer 1s and their ecosystem dApps. This is because enough traffic of those tokens is being processed through Houdini Swap that projects develop a healthy relationship with the team due to the value it provides to their token holders as a bridge that supports them.

These ecosystem partners give Houdini the flexibility to call upon further co-marketing and campaigns with them in the future if needed.

Unlike the majority of DeFi projects this is invaluable when the rotation of mindshare comes back to DeFi and bridges. Houdini Swap can utilize these partners and their wider community to generate attention that others simply cannot do.
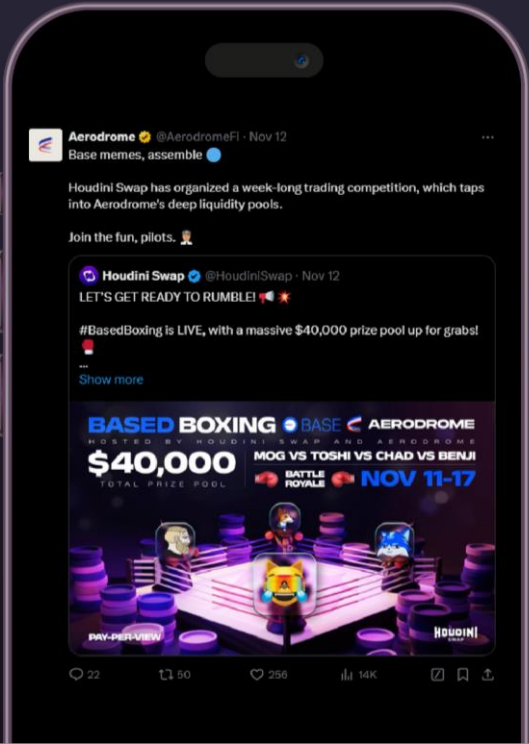

Figure 9: Houdini's Based Boxing Event

- LOCK is trading at a deep discount compared to its peers.

- LOCK is the only cross-chain bridge project that has its privacy features and can provide swaps for 4,000+ tokens on-chain.

- LOCK is also the bridge token with the best value accrual and revenue passed to token holders and has a staking mechanism to lock liquidity.

- If in line with the average price/fees multiplier based on ACX, STG, DBR, SYN it would price LOCK at 53.6x earnings, which at $6M annualized is $322 MC. This is 8.05x the current MC of $40M

LOCK is deeply undervalued. Houdini Swap has rapidly grown its share of trading volumes and mindshare across the multitude of tokens that can be traded, while simultaneously maintaining dominance of compliant privacy swaps. Purely based on its current volume and fees, and expecting a greater altcoin bull market to happen in 2025, with corresponding predictions of volumes and fees that could flow to Houdini Swap, we forecast a significant repricing in the valuation of LOCK.

These forecasts are made with the 30x fee multiplier to FDV in mind, closer to its peers and far from the current LOCK multiplier. If LOCK is valued with a similar fee multiplier to some of its peers the fair value of LOCK could be multiples higher than what is forecasted in the table. Furthermore, Houdini Swap's commitment to burning tokens and existing value accrual in the staking program will create a smaller free float, where price appreciation is more likely to occur.

Another scenario not currently being taken into account is the growing exposure and mindshare that Houdini Swap is receiving due to the growth of its ecosystem partners. Leaders in each of their verticals regularly co-market with Houdini Swap because with it they can bring on token buyers and access liquidity that is not possible with other major bridges.

This is extremely important as the market continues to see speculation increase, especially in the smaller end of on-chain traded tokens that Houdini Swap supports. **Houdini Swap could become the de facto cross-chain bridge for the meme ecosystems in Solana and Base** and grow market share in utility tokens that otherwise are not supported by larger bridges. As the value of these tokens grow, the volume being processed through Houdini Swap increases fees, and grows the flywheel.

FORECASTING LOCK'S POTENTIAL FAIR VALUE

	Current	Bull Market	Extreme Bull Market
Volume (annualized)	$2.5B	$7B	$10B
% Fee Rate	0.3%	0.3%	0.3%
Fees	$6M	$21M	$30M
Fees Multiplier	30x	30x	30x
FDV	$180M	$630M	$900M
LOCK Price	$1.87	$6.55	$9.36

Catalysts

- Houdini Swap to launch LOCK on Solana.

- Houdini Swap is heavily involved in the SOL ecosystem and has many partners there to support the move.

- Houdini Swap directly benefits from the bull market and altcoin speculation, and revenues have almost doubled in Q4 2024 due to taking market share and larger swap volumes.

- Houdini Swap continues to be extremely undervalued, and as revenue increases so do buybacks.

Houdini Swap is a massive participant in the SOL ecosystem with ~$300M vol, $74M bridged in 230 routes in November alone, which is almost half their volume. By bridging to Solana and launching LOCK there they will be bringing utility to the chain and will become recognized as one of its most useful DeFi projects.

Houdini Swap has been growing at an incredible rate for over a year and their growth in Q3 2024 went into overdrive. The recent bull market in select altcoins and increased speculation on-chain has simply skyrocketed these already impressive results.

LOCK stakers are currently earning $115K per week, which is all fully funded with no inflation, and yet still has a small market capitalization at $40M. It is ranked 730 on CMC and yet is in the Top 30 Holders Revenue on DefiLlama.

Moreover, with a Trump Presidency in the USA and potential tailwinds for the industry in terms of regulation and policy, it is possible that Houdini Swap could benefit as policy experts believe that Trump could very well be pro-privacy as well as publicly declaring he is pro-crypto.

Risks

- Low liquidity, LOCK has a relatively small LP on Uniswap and on MEXC.

- Competition with other bridging protocols, especially incumbents who can introduce same routing as Houdini Swap and support other chains and assets.

- Possible change in compliance and regulatory standards to the detriment of privacy.

- Bugs and exploits on liquidity pools and protocols that Houdini Swap routes through.

It is unlikely that in the near term any significant risks will plague Houdini Swap. It is an aggregator and achieves best routing for its users, so any technical issues or hacks will likely fall upon the liquidity pools that they source from. This is an inherent risk in any DeFi protocol, especially a bridge.

Otherwise, the only black swan event could be a cataclysmic bear market set in motion and a major decrease in speculative trading activity, which would crater Houdini Swap's ability to grow its volume.

The liquidity issue is being worked on by our team and G20 Group, and we believe that with an uptick in activity of volume and holders especially from the Solana launch and subsequent marketing, this will enable Houdini Swap to get LOCK listed on better exchanges.

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