HACKEN

STRATEGY 2022

1 Web3 Industry Overview

A Web3 technologies - the future that has already come

Web3 technologies will become an indispensable component of future businesses. In his **recent article**, Chris Dixon, a general partner at **a16z** and the co-leader of its crypto funds, describes Web3 as the Internet fully owned by users and builders where tokens are used to facilitate transactions between all parties involved. Web3 technologies entitle individuals to "Read-write-own," thereby creating a user-owned economy that will ultimately end the dominance of monopolies. Although the concept of Web3 is still under development, it has already opened up huge opportunities.

Centralized corporations will try to prevent the expansion of Web3 technologies. However, the collapse of the centralized economy is inevitable.

Key aspects that will spur worldwide adoption of Web3 technologies are:

- **Human capital:** Millions of talented developers and builders worldwide are highly skilled and possess novel ideas. They do not want to remain stagnated. The cryptocurrency and blockchain space provides the playground for these professionals to explore and innovate. The results of their experiments may far exceed their most optimistic predictions;
- **Financial resources**: Financial resources can also ensure the rapid development of Web3 technologies. As a result, Web3 investors stand to register handsome ROIs. But, only the projects with solid teams and a crystal clear roadmap, and operational pipeline will land huge capital injections;
- **Time**: The rapid increase in the popularity of crypto amongst business leaders and users has created a favorable environment for the further development of Web3. The market is ready to accept the new reality.

Both reputable business leaders and young entrepreneurs are passionate about investing in disruptive technologies, the solutions that would benefit themselves, and sideline anachronistic industry players.

People are more interested than ever in generating a stable income from their savings. While Wall Street offers less than 1% returns, DeFi may offer 10 times higher earnings. In the NFT space, creators do not need to share their profits with intermediaries/agents. They solely own the revenue and profits generated from their creations.

This implies that the transformation of the global economy has already begun. It will be even greater than the one associated with the emergence of the Internet. Even if we experience a bearish crypto market in 2022, the momentum of qualitative changes will remain active. So, we will very likely face the most bullish run in the long-term perspective.

B Risk factor still high? Where to move?

Decentralized apps don't have a lot of governance bugs. But, users are heavily suffering from contract bugs, flash loan manipulations, MEV front-running, and rug pulls, resulting in a crypto-asset loss worth millions.

Browser wallets do not guarantee the security of users' assets, and the same relates to centralized crypto exchanges. Some prominent exchange gets hacked almost every month, and users lose their money.

Moreover, blockchains written in Rust are much more complicated than Solidity-based blockchains regarding the number of variables involved in the contract. We predict that this complexity will lead to new vulnerabilities, exploiting which malicious actors will cause megahacks.

Despite all the opportunities it brings, the DeFi ecosystem is still very complex, which is why the scope of risks is high.

But should we be afraid of all these risks?

No! Virtual assets are not risk-free investments. Investors accept certain technological risks to avail high returns. Every vulnerability or security loophole detected makes the ecosystem robust and mature.

Smart contracts' total value locked (TVL) is almost **$250B**. And with diverse opportunities, Ethereum has stopped being the blockchain of choice for researchers and investors. As a result, the smart contract blockchain's share in the global TVL pie now is just a bit more than **65%**.

The key Web3 security trends to keep a close eye on in 2022:

- insurance of smart contracts
- security-as-a-service applied to smart contracts

The cybersecurity area of Web3 is still in the early stages of development. It means that Hacken has many hidden opportunities to become a Web3 cybersecurity leader.

C Web3 cybersecurity industry growth projections

Web 2.0 and TradiFi environment is free from the risk of losing financial assets from the client-side.

What about cybersecurity, then? There is no market request for the same. However, in the Web3 space, cybersecurity is a core element of market recognition.

The size of the modern blockchain market is **$5.3B**, and it is expected to reach $34B by 2026, rising at a 45% CAGR. According to the estimations made by the Hacken team, the share of security audits in this market ranges between 3% and 8%. Even if we take the most conservative numbers, the current market size for security audits is $150M, and this figure is expected to grow to at least $1B by 2026.

However, it would be far more realistic to estimate the size of the Web3 security market by comparing it with the market for penetration testing services. As of 2021, the penetration market size is **$1.6 B**, and this figure is expected to grow to $3B by 2026 (with a 13.8% CAGR).

So, despite the possibility of bearish movements in the crypto market, the Web3 cybersecurity industry's strong growth is inevitable.

The factors determining cybersecurity industry growth in the next 5 years

- The complexity of new Web3 products
- Regulatory security requirements
- Regular security audits as an industry standard

D Web3 cybersecurity undervalued - Cybersecurity Stock Analysis

Let's take a look at the global cybersecurity market, in general. The market capitalization of the top 35 security companies is **$472B** (December 2021).

Top 5 security brands by market cap

Rank	Company	Market Cap
1	Fortinet FTNT	$59.75 B
2	Palo Alto Networks PANW	$56.43 B
3	CrowdStrike CRWD	$49.16 B
4	Zscaler ZS	$46.36 B
5	Cloudflare NET	$44.86 B

Source: companiesmarketcap.com

But at the same time, the market capitalization of the largest companies in the world, regardless of their industry, is more than **$97T** (as of December 2021). The share of security companies globally then is just **0.49%**.

The combined market capitalization of Web3 cybersecurity projects is **$520M**, while the market capitalization of the entire cryptocurrency market is **$2.42T**. Quick napkin math works out the share of cybersecurity in the Web3 world to only **0.02%**.

Top 5 Web3 cybersecurity brands by market cap

Rank	Company	Market Cap
1	Utrust UTK	$157M
2	CertiK CTK	$123M
3	Hacken HAI	$67M
4	VIDT Datalink VIDT	$44M
5	Lossless LSS	$43M

Source: coinmarketcap.com

After making simple calculations, we observed that if the share of cybersecurity in the Web3 world equaled 0.49%, then the market capitalization of the Web3 cybersecurity ecosystem would be **$11.9B**.

	Cybersec mcap, bln USD	Total mcap, bln USD	Cybsec as % in total mcap
All economy (largest companies)	472	97,492	0.49%
WEB3	0.5	2,420	0.02%
Projected cybersec mcap WEB3 (stock value factor applied)	11.9	2,420	0.49%

Conclusion: Currently, the Web3 cybersecurity industry is 23X undervalued.

2 What is Hacken?

A Introduction

Hacken provides B2C, B2B, and B2G cybersecurity services to clients belonging to the blockchain, DeFi, and NFT ecosystems from Europe, Asia, and North America.

HAI is Hacken's native utility token and underpins the Hacken ecosystem. Since the last 4 years, Hacken has partnered with 800+ crypto/blockchain companies, including **Vechain**, **Gate.io**, **KuCoin**, **CoinGecko**, **CoinMarketCap**, **Avalanche**, to name a few.

The list of Hacken partners includes more than 80 brands, including **Solana Foundation** and **Simplex**. Since March 2021, Hacken has been an active member of the **Linux Foundation**.

As of date, Hacken has helped protect users' assets worth more than $10 bln. In addition, the strong market reputation and high functionality of its security solutions have allowed Hacken to build a great community uniting more than 90K security and crypto enthusiasts.

The Hacken Mission

We make Web3 a safer place.

A Brief overview of Hacken's services

Hacken is a fully-fledged cybersecurity ecosystem founded in August 2017 by cybersecurity experts, Big Four professionals, and white hat hackers. Since late 2017, we have been developing a sustainable business ecosystem that:

- Builds security infrastructure for the blockchain and crypto industry
- Ensures continued high-quality protection from major cyber risks faced by our B2B clients
- Educates individuals on cyber risks and how to remain protected in a rapidly developing digital world
- Builds B2C products for individual complex cyber protection
- Contributes to the development of an ethical hacker community through education and client connection
- Incubates Web3 cybersecurity startups

Having worked with more than 800 clients for the last four years, Hacken has become a leader in the blockchain security industry and established itself as the biggest cryptocurrency exchanges auditor and a trusted brand in Web3 cybersecurity.

B Hacken Products

- **Hacken cybersecurity consulting**: Hacken provides security testing and consulting services to corporate clients. The list of services includes blockchain security services, penetration testing, security assessment, and Hacken Certification.

- **Hackenproof**: Hosting bug bounty programs for businesses representing the blockchain world such as crypto exchanges, DeFi platforms, and industry institutions like CoinGecko.

- **CER.live** – Web3 cybersecurity rankings: cybersecurity ranking and certification platform that performs security assessments of leading digital asset platforms based on 18+ indicators. The platform has already evaluated the security of more than 300 active exchanges. Since 2020, the platform has been a trusted partner of CoinGecko, and the data provided by CER.live is a part of CoinGecko's trust score given to exchanges.

- **Hacken Foundation**: The startup accelerator that incubates innovative Web3 projects. Also, helps develop promising cybersecurity solutions for individual and corporate clients.

- **hVPN**: A VPN service that secures your browsing experience as the internet traffic is routed through an encrypted tunnel. You can connect up to 5 devices. hVPN is a functional and affordable tool to protect your digital identity.

- **hPass**: hPass is a highly functional and secure storage solution for your seed phrases, private keys, credit card credentials, secret notes, etc. Everyone can use hPass for free. It has device-level encryption for added security, which means we cannot know anything about you and your credentials. Users have to pass the biometric identification to use the application. Even if they lose their mobile phones, users can rest assured of the security of data stored in hPass.

- **HackenAI**: It is a mobile application focusing on cybersecurity education. Users can securely store and manage their virtual assets in a crypto wallet integrated with DeFi functionality. Through HackenAI, users can participate in the farming of Hacken Foundation projects' tokens, buy and stake HAI tokens, and get a HackenClub membership to access a full set of Hacken B2C products. Before using the functionality of HackenAI, users have to pass a free special educational course on cybersecurity.

- **Hacken Scout**: Hacken Scout is a community-driven project developing the database containing information about the security of popular tokens through market research conducted by the army of scouts. In exchange for their contribution, scouts get rewards in HAI.

C Hacken Foundation Projects

- **HAPI** is an on-chain cybersecurity protocol that prevents centralized and decentralized exchanges from being involved in money laundering practices.

- **disBalancer**: an innovative solution with a network architecture to make businesses resistant to DDoS attacks by utilizing the free computing power and bandwidth of users' devices.

- **ArtWallet**: **ArtWallet is a smart & secure NFT App for artists, more like the 21st-century version of iTunes and Spotify via NFTs. ArtWallet is solving the real challenges existing in the market, including security threats, privacy and integration issues, and the environmental impact of NFTs**.

- **PureFi**: the one-stop compliance protocol that will serve the needs of the DeFi market players by functioning as a full-cycle solution for crypto asset analytics and AML/KYC procedures.

D **2021 key achievements**

- X6 revenue growth vs 2020
- 4% market share in the Web3 cybersecurity market
- Performed security audits of more than 300 smart contracts
- Entered into a partnership with 70+ brands
- 23 out of 50 top crypto exchanges are our clients
- Successful launches of 4 Hacken Foundation projects: (HAPI **X20**, disBalancer **X8**, PureFi **X5**, ArtWallet **X100**)

3 Hacken Token (HAI)

A Intro

HAI is the native utility cybersecurity token issued by Hacken. HAI trades on several popular exchanges, including **Gate.io**, **KuCoin**, **PancakeSwap**, **Oceanex**, **Bitrue**, **EXMO**, and **MEXC Global**. Individual investors can use HAI to avail Hacken Club membership. In addition, corporate clients can receive discounts on Hacken security services by paying in HAI.

B Membership & Utility

There are **3 levels in Hacken Club membership**, including member, associate, and partner. But to become a Hacken Club member, users first need to lock up a specified amount of HAI on the Membership smart contract. Users are free to choose the amount of HAI that they want to stake:

Level 1 Member: 1,000 - 9,999 HAI
Level 2 Associate: 10,000 - 99,999 HAI
Level 3 Partner: 100,000 - unlimited

Level 1 and Level 2 members can upgrade their membership by staking the difference in the amount of HAI required to become members of a particular level.

Members can also cancel their membership, but the fee will be applied: 30%, 20%, and 10% for Level 1, Level 2, and Level 3 members, respectively.

Level 2 and Level 3 members can decide the membership period they want to choose (6-months or 12-months membership). For Level 1 members, the membership period is 12 months.

Level 2 and Level 3 members are also eligible to collect the yield on their staked tokens. The yield depends on the level of membership and the chosen membership period.

Level 2: Associate
- 6 months — 5%
- 12 months — 7%

Level 3: Partner
- 6 months — 7%
- 12 months — 9%

The yield is accrued on a daily basis.

Members also get special referral bonuses for promoting Hacken. They need to generate a special referral coupon in the HackenAI app and send it to friends, colleagues. Once a peer/acquaintance signs up, both stand to gain financial rewards. Rewards are set depending on membership level and whether users refer a B2B client or B2C member.

Level of Membership	B2B Referral Bonus	B2C Referral Bonus
Member	5%	3%
Associate	7.5%	4%
Partner	10%	5%

The rewards will be provided automatically.

Hacken Club Membership renders users eligible for farming boosters:

Users can farm their desired Hacken Foundation project tokens and earn more

- Level 1: 1.05X (+5%)
- Level 2: 1.20X (+20%)
- Level 3: 2X (+100%)

Farming Value for Users

Farming allows users to amplify their crypto earnings with their HAI tokens. It is valid for 3 years for each project launched within the Hacken Foundation. Farming gives additional functionality to HAI and makes it a flexible investment option for its holders. It begins when tokens are staked on the farming, smart contract and, unlike Hacken Club Membership, it is not time-bound.

Currently, there are 2 farming options available to users: traditional HAI Farming and **HAI LP Farming** (launched in December 2021).

As of December 2021, the annual yield for farming HF projects' tokens is the following:

- HAPI: (HAPI Farming - up to 13%, HAPI-HAI LP Farm - up to 70%)
- disBalancer: (DDOS Farming - up to 16%, DDOS-HAI LP Farm - up to 85%)
- PureFi: (UFI Farming - up to 17%, UFI-HAI LP Farm - up to 84%)
- ArtWallet: (1ART Farming - up to 22%, 1ART-HAI LP Farm - up to 93%)

The farmed tokens are available for claiming. However, users must note that the farming yield constantly fluctuates and, thus, profits may vary depending on when users decide to begin farming.

Hacken Foundation: Sale Rounds

We have successfully conducted 6 sale rounds for our community (4 for Hacken Foundation projects, 2 for partner projects):

Sale Rounds for Hacken Foundation Projects:

- HAPI - X20 at TGE
- disBalancer - X8 at TGE
- PureFi - X5 at TGE
- ArtWallet - X100 at TGE

Hacken Foundation has also organized the HAI Sale Rounds for Partner Projects:

- **Weld**: **555,556 HAI** raised
- **LossLess**: **50,000 USD allocation**, 1 USD = 1HAI

These sale rounds confirm that the focus of our community is on making their assets serve a higher mission, which is making the virtual world a safer place. All projects mentioned above in this section focus on protecting industry players, both projects and individual investors, from security threats.

In 2021, the Hacken Foundation achieved great success in launching new initiatives. Now we plan to work on ensuring sustainable development of these projects. But we will continue looking for breakthrough initiatives offering functional and highly demanded cybersecurity solutions.

Sustainable growth protection

Community confidence is the key competitive advantage of every solid project. One of the main determinants of investor confidence is the absence of drastic token price fluctuations, especially during the bearish market.

Central banks can intervene in the foreign exchange market to back their national currencies. Similarly, Hacken can use its Sustainable Growth Reserve funds to back HAI during critical market periods with a high risk of drastic token price fluctuations.

Up to 30% of profits in fiat made by Hacken Group for providing security testing services are transferred to the Sustainable Growth Reserve. The level of price protection is determined annually. In 2021, the level of price protection has been the following: 1 HAI = 0.1USD. And this intervention strategy has proven its efficiency. We have prevented any possible panic among our community.

Burn

The principle of the Hacken Token (HAI) is scarcity ensured by strict lock-ups and the burning mechanism. The max supply of HAI is 1B tokens, and it can decrease over time due to burning and the rising number of tokens that are lost.

There are 3 key burning events:

- Hacken Club members' membership termination contributions are burned every month
- Fees paid by token holders for swapping tokens between networks
- 50% of HAI tokens collected during HAI sale rounds for Hacken Foundation and partner projects are burned immediately

In 2021, 16 Million HAI tokens were burned (3.5% of the circulating supply as of December 2021 or 1.6% of the max supply).

New B2B utility

Hacken will introduce smart contracts for prepaid security services in Q1 2022. As a result, clients/agents will be able to prepay SC audit services and book the date when they will need an audit.

A certificate will indicate the qualification and number of hours spent by smart contract security engineers for audit. Certificates are available upon payment in HAI only. The hourly rate is fixed in USDT and denominated in HAI at the date of purchase.

Fixed date engineer hours will be available at a discounted price, while flexible dates are normally charged.

Certificates left unused will be available for utilization with a 10% penalty paid in HAI, which is immediately burned.

Hacken partners will be able to purchase SC audit prepaid certificates with a discount and create their own business flow path.

C Supply analytics

Supply	Amount, HAI
Foundation locked	350,000,000
Foundation Soft Lock	100,000,000
Membership locked	71,399,235
Farming	108,811,271
BSC network	16,299,204
ETH network	3,046,581
Burned	16,020,000
Ecosystem investors	194,139,680
Other circulation	140,284,029
Total	1,000,000,000

Hacken is a self-sufficient company with accumulated reserves for at least 3 crypto winter years.

We have decided to prolong the HAI unlocking timeline on 1/1/2022 with 100mln HAI with the following schedule:

- 25 mln HAI to be unlocked on 1/1/2023
- 25 mln HAI to be unlocked on 1/1/2025
- 25 mln HAI to be unlocked on 1/1/2026
- 25 mln HAI to be unlocked on 1/1/2027

The remaining 100 mln HAI reserves in key stakeholder multisig account can be used only for:

- Top exchange listing budget
- Top tier investment partnerships
- Marketing or development investments upon Hacken partners public DAO approval
- Team and equity - 20 mln HAI

4 Strategy

A What is the strategy, and why do we need it?

What is the difference between a startup and a mature business? Mature businesses move forward according to a well-defined strategy, while startups are inclined to chaotic movements.

Strategy is the bridge connecting the company and its community and investors. It lists our promises to these parties, and our responsibility is to attain the prescribed goals. In addition, the strategy document allows us to avoid uncertainties since it incorporates the vision and considerations of all members of the core team.

We can correctly estimate our progress by looking at the strategy document while deciding the contribution requirement for more resources to reach the defined objectives.

B Hacken Strategic Goal

Our strategic goal is to become the number 1 Web3 cybersecurity solutions provider.

We plan to capture at least 20% Web3 cybersecurity market share by 2024. Leadership in this market is identified as the most achievable and significant opportunity among many others assessed.

A solid strategy translates to uniting all resources and focusing efforts on reaching the set goals. Saying "No" is essential to developing a successful strategy. Opportunities are assessed with the basic question in mind: "Will the energy and resources spent on a particular opportunity bring us faster to a strategic goal than any other possible alternatives?" It doesn't mean that we abandon any of our existing projects. However, their tactical goals will be transformed to bring Hacken close to Web3 cybersecurity leadership.

C Obstacles to capturing value

Below there are key identified obstacles to capturing value

I. Lack of tech resources in the market

II. Worldwide trust in the brand

III. Financial sustainability vs. growth ambitions

IV. Competitors' expansion

V. Unfavourable location of the headquarters

D 10 elements of the Hacken Strategy to overcome the identified obstacles

Number 1. Talent Growth
The company is focused on aggressive talent development. It conducts workshops during top industry events and meetups and organizes Web3 offline and online security engineers schools.

Hacken headquarters are located in Ukraine, and the country offers students high-quality and up-to-date mathematics education. As a result, thousands of talented individuals enter the country's labor market, striving to find a job in solid technological companies or groundbreaking tech startups. Compared to Europe and North America, staffing prices in Ukraine are lower.

Number 2. CER.live expansion

It provides comprehensive cybersecurity rankings for crypto exchanges, DeFi, and other Web3 projects. In addition, top Web3 aggregators use its data. Its scores are automated, and the methodology is open source.

The strategic industry objective of CER.live is to become the main security rating platform for all crypto projects.

Number 3. Development of organizational culture

It inherits organizational management excellence from Big4 firms. A mix of white hat engineers and professional security auditors is what makes it stand out from the crowd. Hacken CEO Dyma Budorin used to work in leadership positions in Deloitte before establishing Hacken.

Dyma strives to integrate the best organizational practices cultivated by Deloitte for its almost 180-year history into Hacken. Thereby Hacken will become a matured innovative brand with effective organizational culture.

One of the main determinants of the success of this strategy is trust in our product and support from the side of our partners, who have believed in the mission that we have followed since our early stages of development.

Number 4. Focus on Web3 security education

The company's public blog features technical research and explains complicated hacking cases in simple videos for the general public. The vision is to translate professional explanations of hacks and instructions on cybersecurity into an easy-to-understand language.

One of the main directions of our content activities is the education of readers representing various professions and with different backgrounds on Web3 security.

Number 5. Expert positioning

The team works on the security of all layer-1 blockchain protocols and provides technical comparison analytics and consulting services.

In addition, we provide professional training to specialists with tech knowledge and understanding of layer-1 blockchain while looking for new talents. Hacken strives to position itself as a top expert on all popular protocols.

Number 6. Partnership with enterprises and governments

The company is focused on partnering and establishing collaborations with large enterprises representing the countries among the first adopters of Web3 reality.

One of the main elements of this move is the establishment of cooperation with reputable traditional consulting companies. Solid brands are the companies trusted by respective governments of the countries where they operate.

Hacken is actively cooperating with the governments of Ukraine and Estonia, the countries of our headquarters. Our specialists advise them on cybersecurity-related matters and provide practical recommendations on the steps required to promote the mass adoption of virtual assets to boost rapid economic development and create new well-paid job places.

Number 7. Collaboration with top tier investment funds
Hacken sets ambitious goals for the coming years. One of our main objectives is to attract investments from a top investment fund.

We consider successful collaboration with investment funds as a strong indicator of our brand's reliability and growth potential for current and future Hacken supporters. As a result, we can effectively promote our rapid business expansion by reaching this objective.

Number 8. Quality excellence
The company prioritizes following high-quality standards to ensure a low incident rate among our clients. We will keep on embedding strict control measures in our audit process to ensure that the risk of missing any important security points in clients' products during the audit process is 0.

We also need to move forward by adding additional layers of security. Strong focus is made on cultivating the concept of a native bug bounty platform and developing partnerships with digital insurance companies to create unique add value for our clients. The scope of security risks is increasing, so the response needs to be adequate.

Number 9. Deeper interaction with the community
The project community has developed the solution for complex big data research - Hacken Scout. Active security enthusiasts can earn money by collecting information on the security of top projects and performing other special tasks.

We strive to create even more earning opportunities for our community in the coming future. All community members will be able to get financial benefits for fostering Hacken growth and development.

The focus is on improving communication between our team and community and community members through the complete transition to Discord.

Number 10. Greater value to the community through HAI
Hacken has the token that ensures B2B utility for company services, with various farming and B2C product features. Hacken's philosophy provides for treating every currency, including HAI token, as the liability of a project to create value for its holders.

The rapidly growing Web3 cybersecurity business backs HAI. The number of projects applying for smart contract audits by Hacken is on the rise, and that serves as a strong confirmation of our token's high level of utility.

5 Conclusion

We have briefly outlined how the industry environment will look in the coming years. Web3 transformation is already on, and Hacken has a detailed plan to become a Number 1 Web3 cybersecurity provider.

This strategy will serve as fundamental guidance for our team by following which we will find the fastest way towards reaching our ambitious targets. The key to our success in the Web3 environment is the support from the side of our community.