Market Data Insight for Actionable Strategy

Crypto - Liquid Ventures

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Maple Finance (SYRUP)

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Key Takeaways

- Maple Finance is an institutional digital asset lending platform with best-in-class compliance and due diligence standards.
- Maple's recent launch of Syrup has helped revitalize protocol growth, resulting in Maple's TVL growing to over $530 million and active loans surging above $200 million.
- Maple's differentiator as an institutional lender places them in a larger addressable market than traditional DeFi lenders and positions them to scale faster than competitors.
- Lower short-term interest rates will likely catalyze an increase in both the supply and demand sides of Maple's business model.
- Maple's impressive growth trajectory, differentiation within the DeFi space, and improving macroeconomic conditions support its continued expansion and presents a compelling investment opportunity for the MPL/SYRUP tokens.

Maple Overview

Maple Finance is a digital asset lending platform founded in 2019 by a group of former investment bank and credit professionals. Maple Finance has an institutional lending focus with industry-standard compliance and due diligence for all borrowers and lenders, providing a transparent and frictionless lending experience.

Maple is the gateway for institutions to access on-chain credit. Most borrowers are institutions in the digital asset space and are subject to credit underwriting and risk assessments from Maple's in-house credit team. After lenders/borrowers complete Maple's diligence process, they are added to Maple's allow-list and can use Maple's pools freely. Interest rates and loan terms are determined by Maple's credit team, and they offer a variety of different lending products with various risk profiles and target yields.

Maple Lending Pools

Lending Pool	Description	Lending Assets	Target APY	Liquidity
Maple Blue-Chip Secured	The Blue-Chip lending pool lends USDC to institutions, overcollateralized by digital assets (BTC and ETH)	USDC	10.00%	30 Days
Maple High-Yield Secured	The High-Yield pool targets a higher yield by reinvesting digital asset collateral into staking or secured lending opportunities.	USDC	12.96%	30 Days
Altcoin Secured Lending	Native yield on altcoins with fully collateralized lending backed by major digital assets and institutional grade staking.	BTC, ETH, SOL*	10.00%	30 Days
High-Yield Corporate Loans	Strategic financing to top-tier institutional counterparties in the digital asset ecosystem, secured with a corporate guarantee.	USDC, WETH	7-11%	30-45 Days
Cash Management	Conservative risk profile for cash management needs for DAOs, corporate treasuries, or funds, with same-day withdrawals. Room40 Capital, a digital asset hedge fund is the sole borrower from the cash management pool.	USDC	4.50%	Same Day
Maple RWA	In conjunction with AQRU, the Receivables Financing pool is secured by a collection of U.S. Treasury issued tax credits with the goal of providing U.S. businesses with liquidity and offering lenders yield from a relatively low-risk tradfi instrument.	USDC	14.00%	7-14 Days

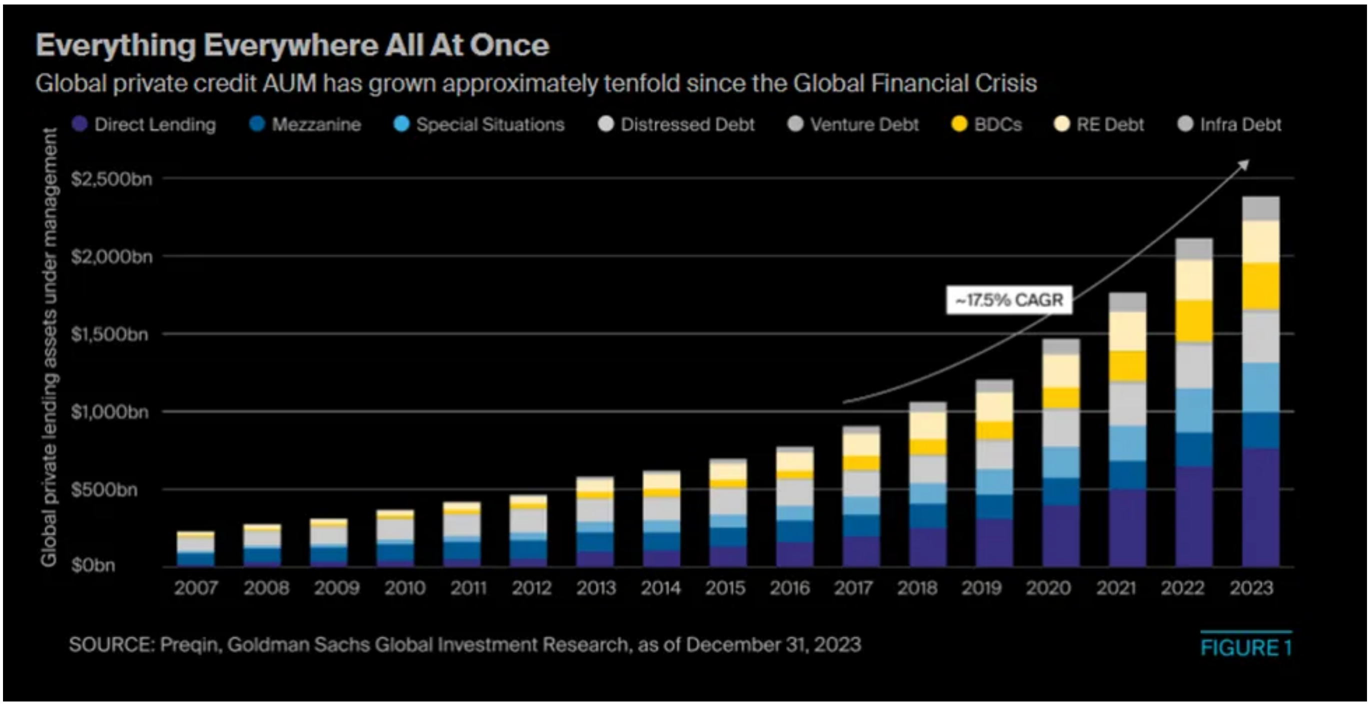
**Additional assets can be added contingent on client demand and Maple's diligence process.*

In order to lend on Maple, users must be accredited investors. Maple has recognized that accredited investor requirements limit many DeFi users' ability to access institutional lending yield and has addressed the issue with the launch of Syrup, which opens up permissionless lending for DeFi users.

Investors can now deposit USDT or USDC into Syrup's pools, which are routed through a blend of Maple's Blue Chip and High Yield pools, giving all users access to attractive institutional yield, while increasing Maple's lending capacity. Syrup targets an APY of 15%, one of the higher single-exposure stablecoin yields offered across DeFi. Syrup borrowers have different collateral parameters than Maple, allowing for borrowing against more DeFi-aligned tokens such as Pendle PT-sUSDe, sDAI, or LBTC.

Why Maple?

As an institutional credit protocol, Maple serves as an alternative source of capital for institutions or businesses that are not interested in exploring traditional credit options such as bank loans. Additionally, many borrowers prefer custom loan terms tailored to their specific needs, which Maple is better suited to provide. On the lender side, direct lending provides attractive yields that are largely uncorrelated to other markets. The appeal to both borrowers and lenders has contributed to rapid growth in private credit in recent years.



Source: Preqin, Goldman Sachs Global Investment Research, as of December 31, 2023

Direct lending is the largest sub-sector within private credit, with global direct lending AUM exceeding $500 billion in 2023, and global private credit AUM approaching $2.5 trillion. Maple is hoping to carve out its share of this market, adding increased utility of on-chain transparency, lower costs, capital efficiency, and broader accessibility, while maintaining white-glove service for institutional borrowers.

Tokenomics

#MPL is the native token of the Maple protocol, allowing holders to participate in governance. The Maple treasury collects revenues from loan originations, refinancing, service fees, and management fees. On a periodic basis MPL holders can vote on what to do with the treasury. The main options are:

1. Buyback MPL on the open market and hold in the treasury.
2. Distribute treasury fees to the Maple DAO to continue funding operations and growth.

3. Distribute fees to MPL holders.

In an effort to recapitalize the Maple treasury, the community voted in 2023 to approve a one-time issuance of 10% in total supply, and then a 5% issuance per year, for three years. The details of the issuance schedule can be found in MIP-009. The total supply is expected to be emitted by the end of 2025, resulting in approximately 12.29 million MPL tokens. MPL's current circulating supply is approximately 7.8 million.

Figure: MPL Supply Issuance Schedule

Year	**2023**	**2024**	**2025**
Opening tokens	10,000,000	11,125,000	11,691,767
1 time issuance	1,000,000	0	0
Annual emission	125,000	566,767	595,641
Closing tokens	**11,125,000**	**11,691,767**	**12,287,408**

Source: Maple

At a current price of $28.03, Maple's circulating market capitalization is $219.6 million and has a fully diluted valuation of $344.4 million.

Today, the #SYRUP token launched, enabling new participation within the Maple ecosystem as a governance token, and SYRUP stakers receiving protocol fees. Existing MPL holders will be able to convert 1 MPL for 100 SYRUP, and there will be no dilution to existing holders. xMPL will be convertible to stSYRUP at the same conversion rate. MPL will remain tradable and eligible for conversions for three years. SYRUP tokenomics will follow Maple's tokenomics outlined in MIP-009, just at the conversion rate. The total supply of SYRUP will be approximately 1.23 billion and the initial supply will be approximately 1.15 billion.

The purpose of the new token is to shed light on one of the fastest growing DeFi protocols and emphasize Maple's position as one of the leading institutional lenders in crypto. The rebranding also goes hand in hand with Maple's shift away from undercollateralized lending to overcollateralized lending. It emphasizes the enhanced risk management of the team and underscores a new era in Maple's growth story.

Syrup users are incentivized to participate in the early growth of the protocol with "Drips" which are the protocol's points system. Drips will be convertible to SYRUP when Maple conducts its token migration, users earn additional rewards for locking their deposits for up to 6 months. Fees generated from the Maple and Syrup protocols will be used to buy back SYRUP tokens, which will be part of the rewards given to stakers. In the first 90 days after SYRUP's launch, a fixed amount of SYRUP emissions will go to stakers to ensure an attractive yield to bootstrap early growth of the protocol.

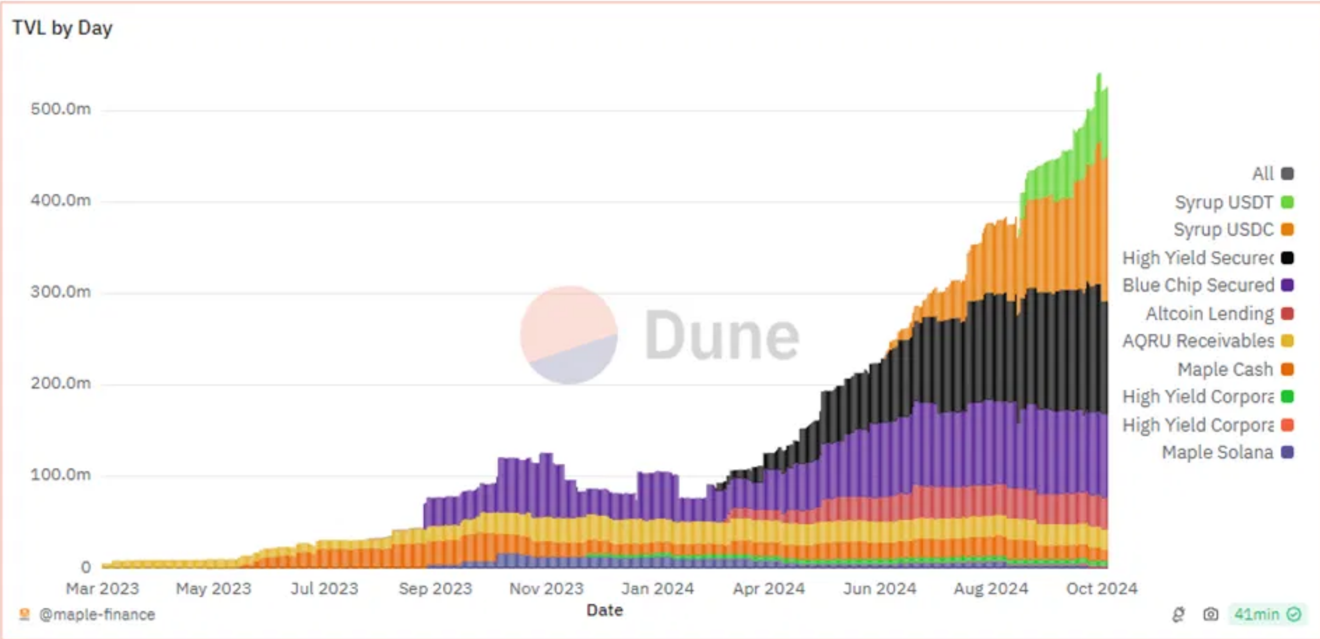
Investment Thesis:

The investment thesis for Maple is predicated on three key points:

1. Maple's growth has been stellar throughout 2024 and its KPIs are all trending in the right direction.
2. Maple's differentiator as an institutional lender positions them to benefit from a much larger total addressable compared to traditional lending protocols.
3. The macroeconomic environment is becoming conducive for broader credit expansion, providing further catalysts for Maple's growth.

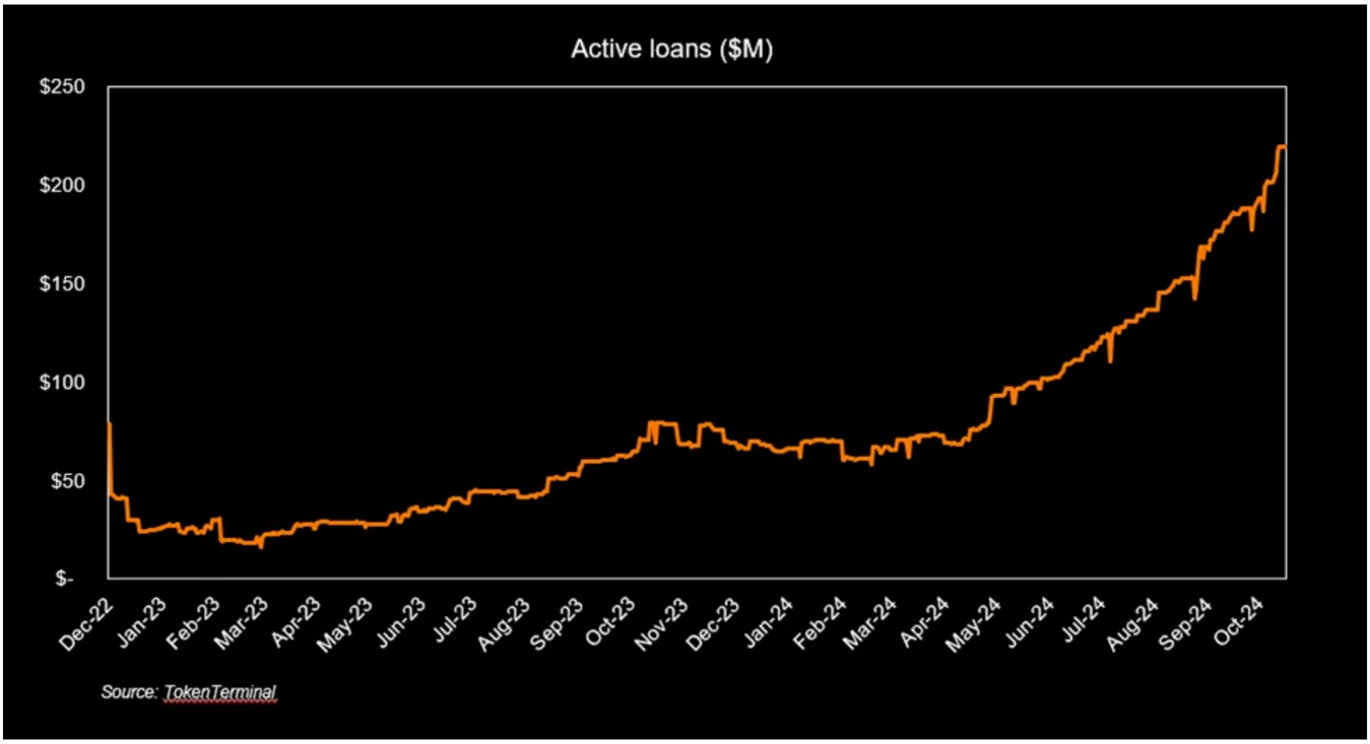
Maple's Growth

Maple is seeing a rejuvenation in supply and demand just as the macro environment is becoming more favorable. Maple's growth this year has been stellar, with TVL rising from $65 million to over $530 million.



Source: Dune

Much of the TVL growth can be attributed to the launch of Syrup, which has opened institutional yield to DeFi investors and has seen its TVL grow by more than 22x since the start of Q2, from $10 million to over $220 million. As TVL has grown across Maple and Syrup, active loans have steadily increased to over $200 million.



Source: Token Terminal

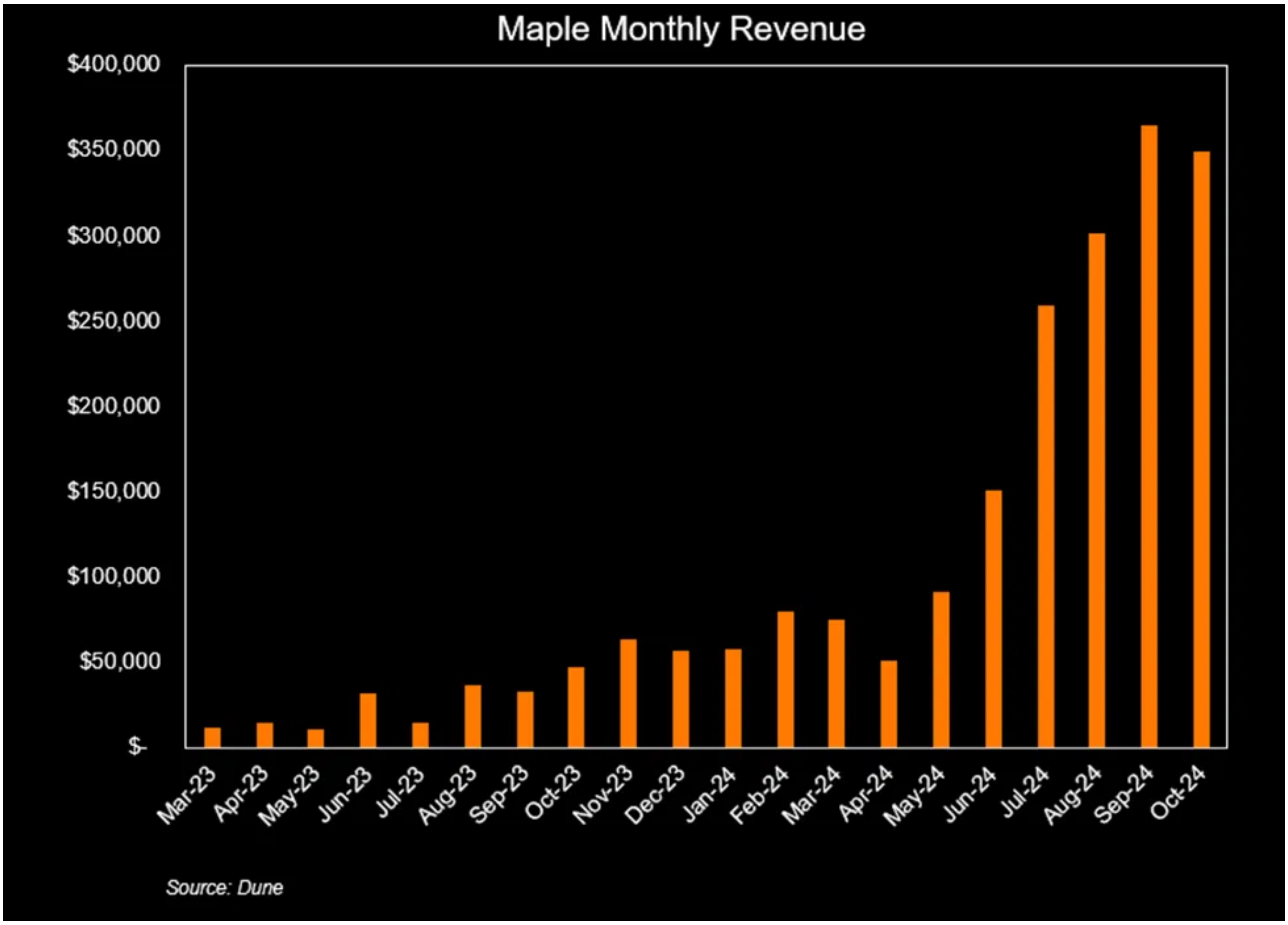
Growth in active loans has been spread across different products, with Syrup USDC being the most impressive, which has grown quickly since launching in Q2.

Pool	Q3 2024	Q/Q
Blue Chip Secured	34.2M	+7.2%
High Yield Secured	42.5M	+52.6%
Syrup USDC	45.2M	+1,029.6%
Syrup USDT	18.9M	n/a
Altcoin Lending	17.5M	+5%

Source: Maple

From a lenders perspective, Maple has accumulated 596 active lenders across Maple and Syrup, a 436% QoQ increase and 1,556% YoY increase. Much of the growth in active lenders can be attributed to Syrup, as it is permissionless and doesn't require extensive KYC/due diligence. Across Maple, active lenders have grown 27%, bringing the total number of Maple accounts to 7,604 – 74% QoQ growth. Maple has identified that 525 Syrup depositors are net new users (not prior Maple lenders) displaying the product-market fit of Syrup and demand for accessible institutional yield.

The growth in all Maple's key metrics has flowed through to its top-line, with monthly revenue eclipsing $350k for the second consecutive month.

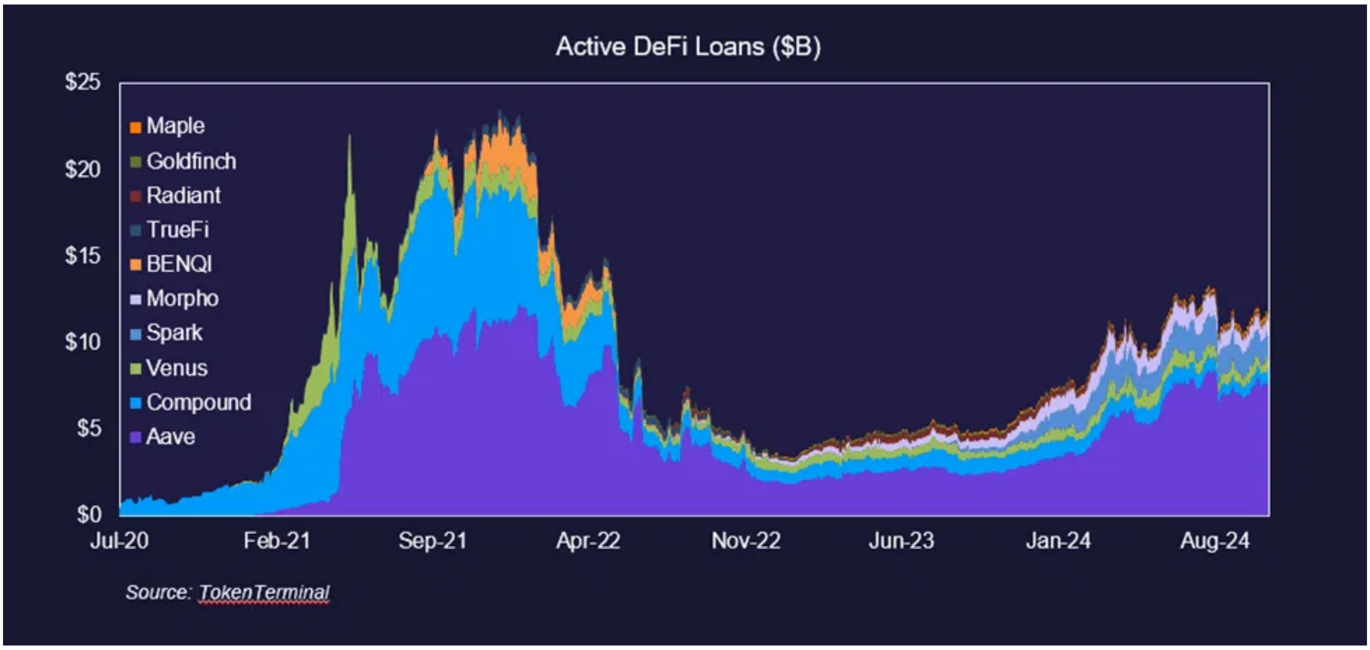


Source: Dune

Annualized revenue has increased 856% year-over-year and 106% QoQ (as of Q3 end). Although Maple is still operating at a net loss, they are moving closer to profitability as revenues increase.

Maple's Differentiator

Although there is demand for borrowing among individuals, the scope is much smaller. This is evident in looking at active defi loans which are largely comprised of individual investors. Total active loans of the top 10 lending protocols (including Maple) sit at approximately $11.7 billion, with a peak of almost $25 billion in 2021/2022.



Source: Token Terminal

Maple differs from other lending protocols in that its target borrowers are institutions and not individuals. It's estimated that 85-90% of private credit borrowing is from institutions compared to individuals, as the need for large, structured loans with unique terms is usually unavailable via traditional bank loans. When considering its unique properties of being an institutionally focused lender, Maple's addressable market is far greater than traditional DeFi lenders.

To better illustrate the magnitude of Maple's addressable market, centralized lenders from the previous cycle provide clear examples. In Q1 2022, Genesis had gross loan originations of over $43 billion, bringing its total loan originations since 2018 to over $195 billion. Genesis also saw its active loans range from $10-15 billion for multiple consecutive quarters. BlockFi is another great example, seeing gross loan originations of over $47 billion between 2019 and March 2022.

Figure: Genesis Quarterly Lending

($ in mm, except BTC Price)	9/30/2021	12/31/2021	3/31/2022	QoQ Growth
Cumulative Originations	$100,957	$151,588	$195,263	28.8%
Active Loans	$11,128	$12,502	$14,594	16.7%
BTC Price	*$43,791*	*$46,306*	*$45,539*	-1.7%

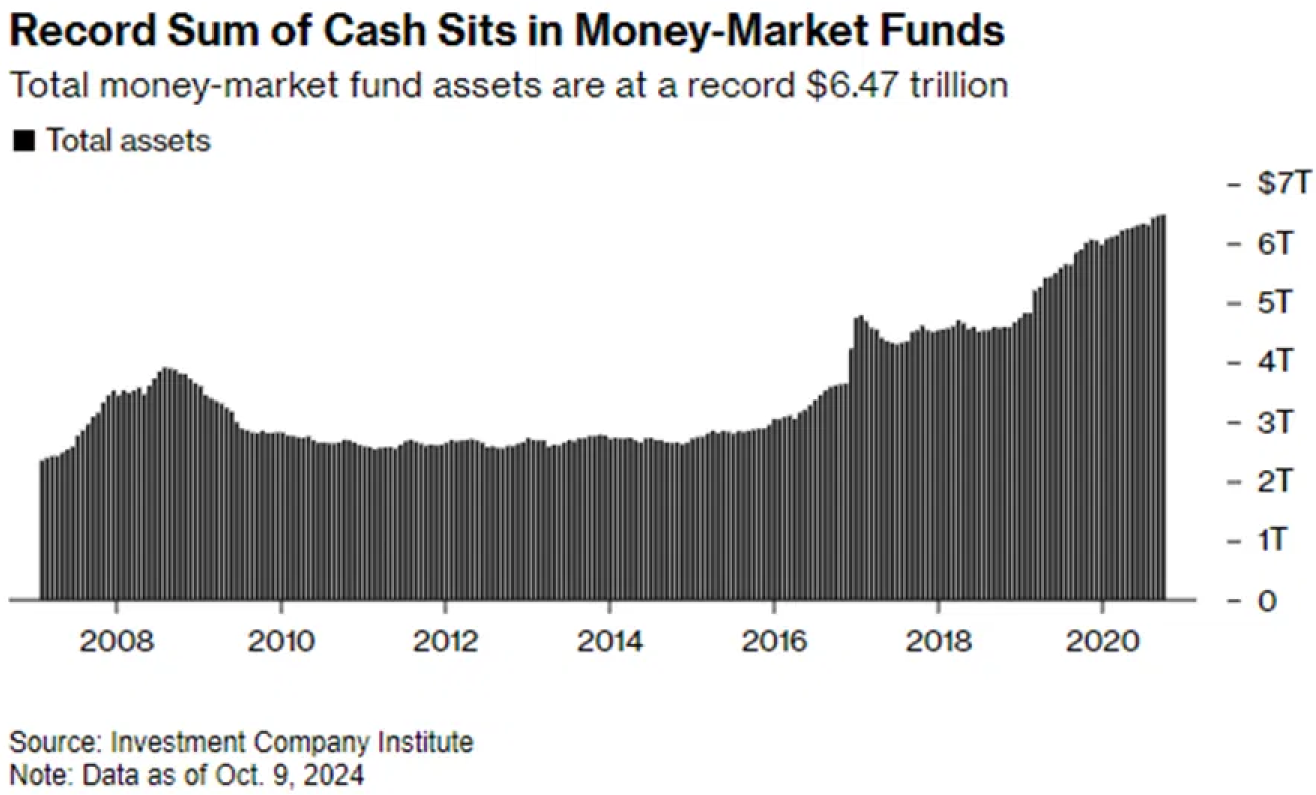
Source: Genesis Q1 2022 Report

While Genesis and BlockFi both unfortunately ended up declaring bankruptcy, it's important to note that the failure was a result of poor risk management – not a result of a poor business model. Both companies are clear examples of the demand for digital asset lending, and their failures may end up being a catalyst for on-chain credit specifically. The added benefits of on-chain transparency and capital efficiency address centralized lending pain points, and position Maple to capture increased market share.

Additionally, Maple's ability to add more sophisticated products tailored to its borrower's needs will enhance demand. The semblance of this is already being realized, with the launch of its RWA lending pool utilizing a basket of U.S. Tax Credits as loan collateral. Maple's team has a comprehensive collateral review process to evaluate new collateral options contingent on client demand.

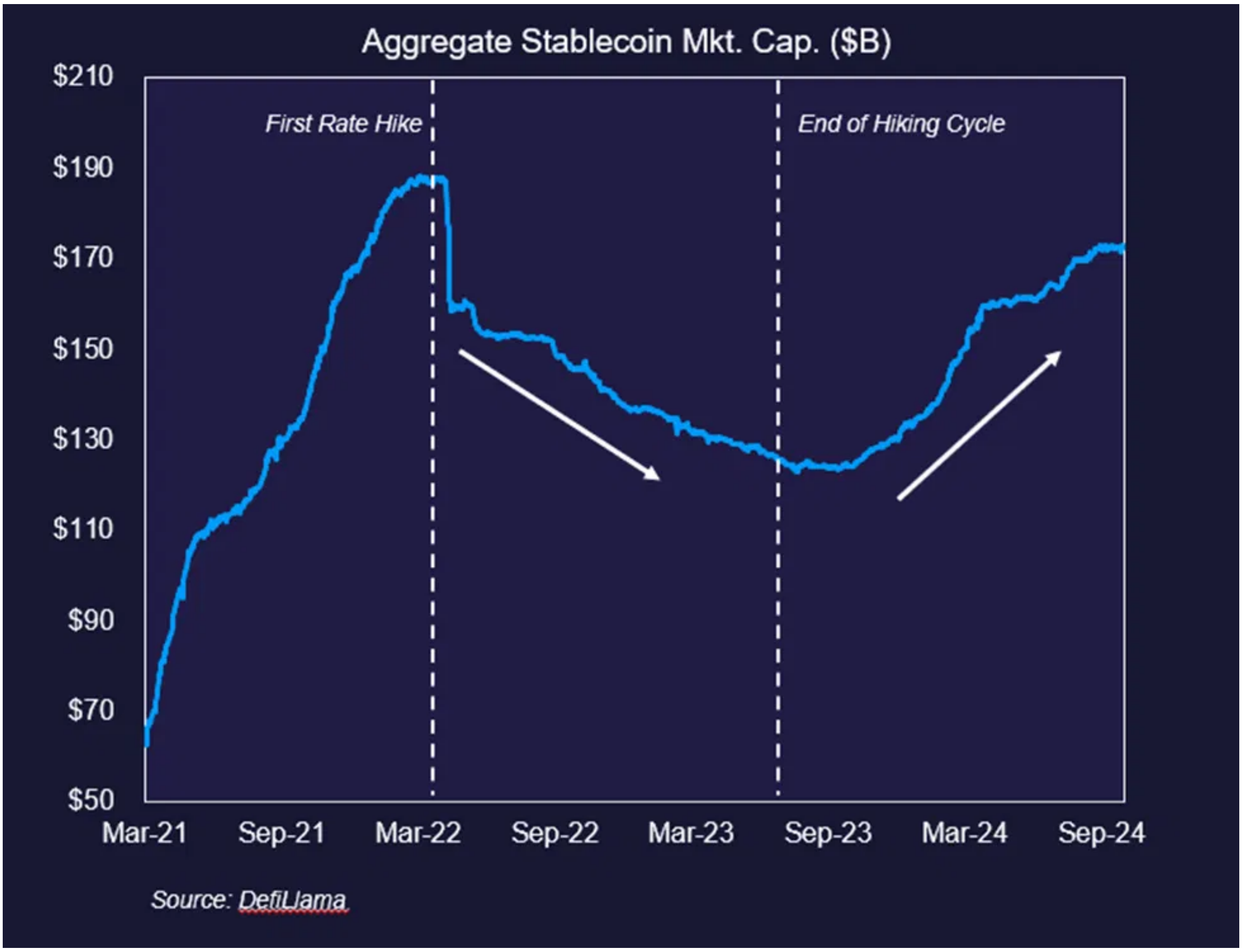
Favorable Macroeconomic Conditions

In 2022, the Federal Reserve began one of the fastest rate hike cycles in U.S. history. Money quickly flowed into Money Market Funds (MMF) as investors collected risk free yield in the ballpark of 5% APY. Money market fund levels are still sitting at record highs, with $6.47 trillion as of October 9th.



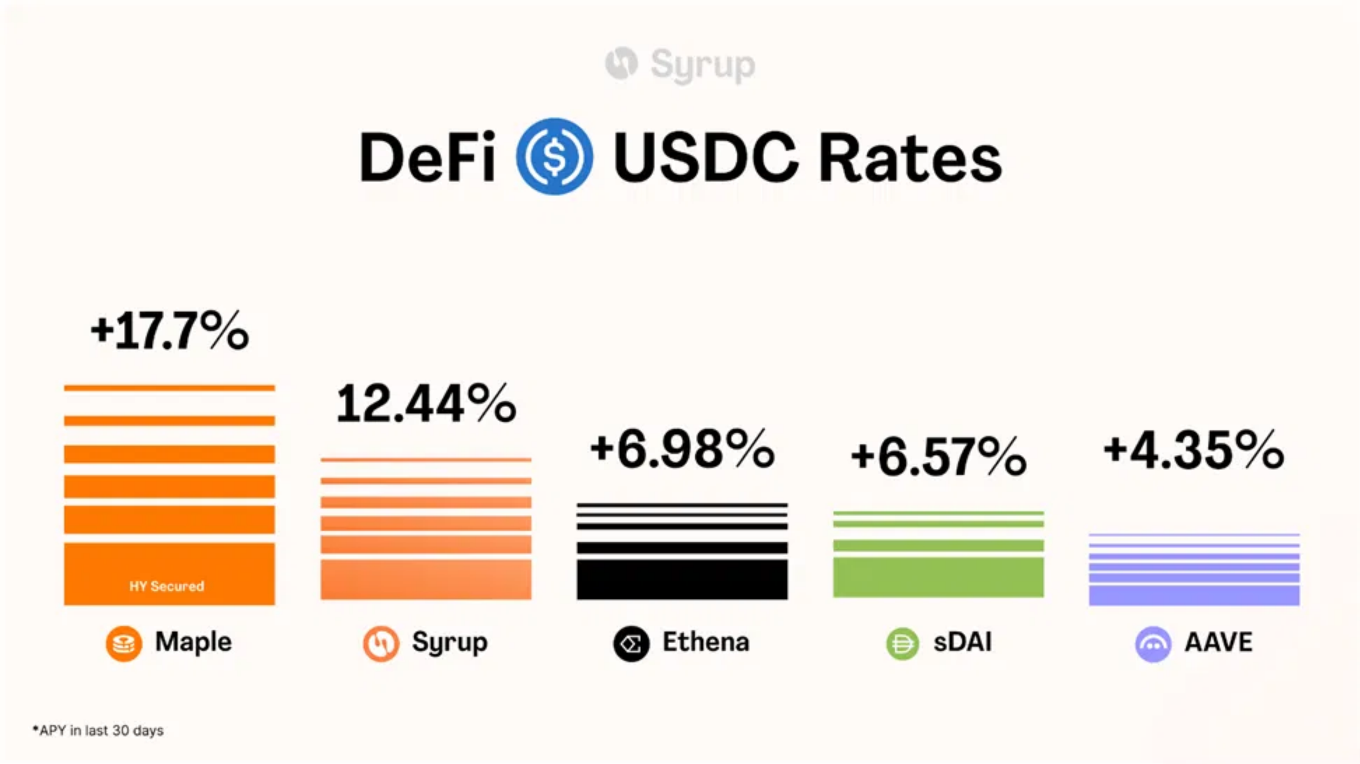
Source: Investment Company Institute

With that said, last month, the Federal Reserve conducted its first rate cut in over 3 years, lowering the Federal Funds Rate by 50bps to 4.75-5.00%. It is expected that that was the first cut in a longer progression of lowering rates, with another 25bps reduction expected in November. As short-term interest rates decrease, investors may seek out other sources of yield, potentially on-chain. As an on-chain lender, Maple's lending capacity will always be a function of on-chain capital, and the effects of monetary policy on flows into the crypto economy are clear.



Source: DefiLlama

As the Fed continues lowering rates, there will likely be increased flows into digital assets, and potentially provide the catalyst for stablecoins to exceed prior highs above $200 billion. Obviously, Maple will only attract a portion of the total stablecoin supply, but the trend's direction is more important. As stablecoin supply increases, investors will look to earn interest on their dollars. Maple's current lending yields hover between 10-20%, offering some of the highest single-sided stablecoin yields across DeFi. Maple's attractive yields should incentivize investors and result in healthy growth of lending capacity.



Source: Maple

On the demand side, as short-term interest rates decrease, many investors are likely to venture out further on the risk curve, potentially into Bitcoin or other digital assets. Simultaneously, it will be cheaper to borrow money, making digital asset loans a more attractive proposition, especially for institutions holding large notional amounts.

To summarize the previous sections:

- Maple's growth in 2024 has been impressive across all key metrics.
- Maple's institutional focus differentiates it from traditional lending protocols and positions it in a much larger addressable market.
- The effects of lower short-term interest rates should be beneficial for both the supply and demand side of Maple's business, supporting continued protocol growth.

Valuation

As a result of the above dynamics, we believe Maple can continue its impressive growth trajectory and expand its loan book to a size comparable to Genesis' in 2021-2022. We think Genesis serves for a better comparison than DeFi lenders due to Maple's institutional focus outlined earlier. To reiterate, from Q2 2021 to Q1 2022, Genesis averaged $11.63 billion in average loans.

Quarter	Genesis Active Loans ($B)
Q2 2021	$ 8.30
Q3 2021	$ 11.13
Q4 2021	$ 12.50
Q1 2022	$ 14.59
Average	**$ 11.63**

Source: Genesis

Source: Genesis

Forecasting scenarios in which Maple grows to varying percentages of Genesis' loans shows the large amount of potential protocol growth.

	Active Loans ($B)	
Maple	$	0.22
Genesis Average Q3'21-Q1'22	$	11.63

Percentage	Maple Estimated Loans ($B)		% Loan Growth
10%	$	1.16	426%
20%	$	2.33	951%
30%	$	3.49	1477%
40%	$	4.65	2003%
50%	$	5.82	2529%

Source: Genesis, TokenTerminal, Fundstrat

Source: Genesis, TokenTerminal, Fundstrat

In percentage terms, the growth above may seem aggressive, but facilitating $1-6 billion in loans in the context of the $2.5 trillion private credit market is not an implausible scenario. Although we used Genesis as a comparison to illustrate the amount of growth Maple could potentially realize in its loan book, for Maple's valuation, we believe examining existing DeFi tokens provides a better framework.

Analyzing lender valuations in respect to the amount of their active loans, the average Price/Active Loans amongst the top three lending protocols (by active loans) is 0.42. In comparison, Maple's current Price/Active Loans ratio is 1.21, likely reflecting a premium in light of Maple's growth trajectory. Maple's multiple should compress towards the average as its active loans scale quicker than its token price.

By circling back to the earlier Genesis comparison and using the average Price/Active Loans multiple of 0.42, we can estimate potential valuations for Maple if it effectively expands its active loans in the $1-6 billion range.

			0.42x Price/Active Loans	
Percentage	Maple Estimated Loans ($B)	% Loan Growth	Implied FDV ($B)	Implied Return
10%	$ 1.16	426%	$ 0.49	43%
20%	$ 2.33	951%	$ 0.99	186%
30%	$ 3.49	1477%	$ 1.48	329%
40%	$ 4.65	2003%	$ 1.97	472%
50%	$ 5.82	2529%	$ 2.46	615%

Source: Genesis, TokenTerminal, Fundstrat

Source: Genesis, TokenTermnal, Fundstrat

In a conservative scenario where Maple grows its active loans to $1.16 billion and assigning a Price/Active Loans multiple of 0.42 would imply a valuation of $490 million and an approximate 43% return from current prices. In a more bullish scenario where Maple grows its loans to $5.82 billion, that would imply a valuation of $2.46 billion and a 6.2x return.

The above scenarios are illustrative and more meant to display Maple's potential. We acknowledge that there are other factors which can potentially dictate Maple's valuation, including overall risk environment, potential regulatory developments, and industry idiosyncratic narratives.

Risks

The increased volatility of digital assets has led to defaults within the industry. Genesis, BlockFi, 3AC, and Alameda are all clear examples. Maple is no stranger to the risk, as they have been a lender in the space since 2019 and experienced a $36 million default from Orthogonal Trading in late 2022. In the aftermath of the default, Maple revamped its services to diversify its borrower client base and open borrowing to clients outside of the digital asset industry. Maple has also moved away from unsecured lending to reduce its risk profile. It's important to point out that Maple has not accrued losses in any of its lending pools since its services revamp.

As with most of our recommendations, smart-contract risk is inherent in most DeFi protocols. Maple is no different, and as TVL on the platform grows, the attention of malicious actors may increase. Regular audits and bug bounties should help ensure the robustness of Maple's smart contracts and mitigate the risk. Maple has completed over 7 different audits from various firms over the course of the last few years and Syrup's main router contract was audited by Three Sigma in May of this year.

Conclusion

Maple Finance is a digital asset lending platform with high compliance and due diligence standards focused on providing institutional credit. Maple recently launched Syrup, a permissionless lending protocol that opens institutional yield to DeFi users, boosting Maple's lending capacity and TVL. Maple's growth in 2024 has been significant, with TVL surging from $65 million to over $530 million, largely driven by the Syrup launch, which has increased active lenders and attracted new users. Maple's differentiator as an institutional lender broadens its addressable market compared to traditional DeFi lenders, and with expected decreases in short-term interest rates, Maple is well positioned to continue its growth trajectory and expand its business to a size comparable to digital asset lenders in 2021-2022.

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