



**Soluna Holdings, Inc.**

# October Flash and Third Quarter Earnings 2021

## Company Update

Good morning. I'm Michael Toporek, Chief Executive Officer of Soluna Holdings, a company formally known as Mechanical Technologies, Inc. Thank you for joining us for our third quarter 2021 overview presentation, where we're also presenting our normal monthly October flash information.

Now for a quick preamble. The following discussion is completely qualified by the legal disclosures on several pages following this one. Our goal is to share with you some of our strategic thinking and financial analysis that we're using to guide the growth of our business. The discussion is in line with our principles of being accountable and transparent with shareholders. As many of you know, we operate in a hyper-dynamic economic environment. That's really a fancy way of saying things can change quickly. So what we're telling you here is based on our estimates and assumptions, which are our best guess. We reserve the right to revise our point of view based on new information and changes in the business environment. Despite an uncertain dynamic environment, we have to plan and make operating investment decisions. This presentation lays some of that out for your review.

I'd like to begin this presentation as I usually do by reiterating some of our key operating principles. Accountability and transparency to our investors is of paramount importance. Our interests in management and shareholders are very much aligned by our significant equity ownership in the company. We communicate with you regularly to let you know how we're doing and



our expectations for the business. We're also committed to what I call high velocity execution. We act with urgency and deliberation in what we do and how we do it. Most importantly, we focus on return on invested capital, and capital discipline, and how we grow our business. We have a long term business strategy that evolves much beyond cryptocurrencies.

I think the best way to view us is as a solutions provider to the renewable energy generation business. Because, especially with the new projects we're constructing next year, (specifically, Dorothy, that we've acquired as part of the Soluna pipeline) we're buying curtailed energy from renewable power plants and converting it to clean, low-cost computing, and we're working on developing a pipeline that's global. Furthermore, what we're doing is not just crypto mining, we are to develop a significant business on what we're calling batch-oriented computing. This is really very different than some of our cryptocurrency competitors that are simply chasing PPAs. We're actually chasing power producers that have problems, and helping to solve their problems when they are not selling every megawatt they're producing.

Now, I did mention this before in that we are looking at Batchable Computing as an opportunity beyond cryptocurrencies. You're going to see us begin to develop an effort around this throughout the next year. You should expect us to begin reporting on this as it begins to take shape.

So today's agenda is really focused on the ongoing operations at Soluna Computing, which is previously known as our EcoChain business. Talking to you about our October results, then providing you with Q3 2021 results, both for the Soluna Computing business (formally known as EcoChain) and the instruments business, where you'll hear from Moshe. And finally, where you'll hear from Jessica Thomas, our Chief Financial Officer, on the overall financial results of our enterprise.

So as many of you know, we've closed on the acquisition of Soluna on November 2nd. And I'd like to thank all of you out there that supported us and voted for the closing of this acquisition. Second, we renamed our company Soluna Holdings, and the EcoChain business segment is now known as Soluna Computing. Our ticker now is SLNH, and our preferred doc trades under the ticker SLNHP. In a few words, my big theme for today is we are ramping.

This graph demonstrates to you our hashrate ramp to the point where we're nearly at 500 Petahash or half an Exahash. We're continuing to ramp aggressively to meet our hashrate goals. This is the details of our hashrate ramp by facility. You'll see some different code names for TNT, Anaconda, and Python, which I'll get into later. But the most important message I can deliver you from this slide is that we added over 200 Petahash, such that our total corporate



Petahash is 445 Petahash. We expect to continue to ramp our facilities throughout the fourth quarter and first quarter of next year.

So let's talk about some of the targets we put out there. April, May last year, we said that by the end of Q4 2021, we hope to hit 722 Petahash. We also said that by the end of Q1 2022, we'd hoped to hit around 900 Petahash. We did put out a presentation on October 21st saying that we thought it would be possible that by the end of Q1, things worked out right, we could hit 1.1 Exahash, that would be broken down as 800 Petahash that would be owned by us and 300 Petahash in our hosting JV. There are some supply chain risks to this timing. So what I'm telling you is, plus or minus 30 days. Obviously, we'll continue to report to you our hashrate ramp every month. So you'll be able to observe how we march on to meet these targets.

I'm happy to report to you that our October financial results really exceeded all expectations. We put out there that based on our October 8th run rate, the cash contribution that we expected would be, call it, 965,000 for the month. We came in at 1.44 million, which implies a yearly run rate of over 17 million. Obviously, higher Bitcoin prices contributed to some of that growth, but clearly, our significant hashrate growth had a tremendous effect on that. I do want to point something out (footnote number two on this page), as we ramp up Anaconda, now named Project Sophie, overhead absorption was subscale at that facility, first of all. And second, that we're operating under a temporary power contract, which is a bit more expensive than our power contract that we'll jump into on December 1st as we trigger the terms of that contract. So you'll see our margins at Anaconda slightly compromised until we click into that on December 1, and until we hit scale.

This graph of cash contribution run rate makes quite clear that we are ramping up our profitability, and we expect to continue to ramp up dramatically to meet our goals. So, let me get a little bit into the nomenclature and the nomenclature change. We're adopting the Soluna nomenclature for each of our sites. So TNT will be renamed Edith after Edith Clark. And you can read here why. Anaconda will be renamed Sophie after Sophie Wilson. And again, you can read here why. And Python will be named Marie Curry or Marie.

So let's talk about some of the developments on our facilities. TNT, fairly mature. We continue to optimize the equipment mix, continues to perform as expected. Anaconda, now known as Sophie, we're continuing to ramp that up. We have our live feed, which you can look at. And as of November 7th, that site was over 100 Petahash and aggressively ramping. With Python, now known as Marie, we're continuing to ramp that site up as the legacy hosting customers roll off, and we have a roll, their roll off and our roll on schedule, which we're continuing to follow, and will phase us in over Q4 and Q1 next year.



So let's revisit some of the goals we set out. We talked about having 50 megawatts under management by the end of Q4 2021. We believe we'll meet that target. We'll have all the equipment installed by the end of Q4 2021 or early Q1 2022. We're on pace to do that. And the result, of course, depending on market conditions and Bitcoin pricing, is a run rate EBITDA in the range of \$20 to \$40 million. We're also on target to achieve that.

So let's talk about what I'll call new and emerging goals. First, the project Dorothy out of the Soluna acquisition. That's an opportunity to build a site that's between 50 and 150 megawatts at a curtailed wind farm. It's nearly shovel ready, with costs that range from between 2.3 and 2.7 cents per kilowatt, with 93% uptime. We tend to build that project in phases. Right now, our thinking is by Q2 2022 we'll bring up 50 megawatts, and by the end of the year, we'll bring up another 50 megawatts. The exact timing will formally release in December, as we release our plan to you.

So, this is some insight into our thinking as we're developing our plans. What do we expect by the end of the year, next year? As we develop our plan, we're looking at Dorothy at 100 megawatts, plus the existing sites, tell us we've got 150 megawatts, hopefully, in place by the end of the year. And if we choose to take the Dorothy site to 150 megawatts, we have the ability to get to 200 megawatts, in place. We also might choose to, over the course of the middle of the year, perhaps building up some of the other sites in our pipeline as they come to fruition, instead of fully building out the Dorothy site. We'll have to make those decisions in real time. But I think it's important that all of you understand that we're still formulating our plans for 2022. In mid-December, I expect to release to you what our plan is for 2022.

Let's talk about targets right now that we're thinking about for 2022. Again, there's not a lot new here, since we did talk about this in our October presentation. In terms of the existing sites, we're hoping to have, by the end of Q1, 800 Petahash owned, 300 Petahash hosted, for a total of 1.1 Exahash. With 100 megawatts of Dorothy potentially coming up over all of 2022, that's an additional 3 Exahash we'll have in under our umbrella for a total of 4 Exahash. The run rate corporate EBITDA, as a consequence of that, if you just do the math under certain Bitcoin and difficulty scenarios, is in the 120 to 160 zone by the end of Q4 2022.

Again, we'll release more details around our thoughts in December. We'll probably do that outside of our flash report. You'll get operating metrics, a financing plan, and our financial targets for the year (or at least the range that you can expect depending on Bitcoin pricing and difficulty). The financing options we're looking at can include some of the following non-dilutive sources (I know I've talked to many of you about this, and I just want to reiterate these again). They include project level and corporate level financing, which are equipment financing, debt at



the project level, debt at the corporate level, equity partnerships at the project level, and preferred equity at the corporate level.

So now let's dive into the October 2021 flash report in more detail. So again, this is just a graph of our consolidated Soluna Computing revenue ramp. Here, you have more detail in terms of Soluna Computing revenue, electricity costs, overhead, and you'll see that we divide things out by proprietary mining and hosting. And this is where you'll see the 1.44 million in cash contribution margin for October 2021. This is some of our operating metrics for the consolidated Soluna Computing entity. And now we get to some of the site level specific information. You'll see that TNT continue to perform well, generating a cash contribution of \$256,000 for the month. On Anaconda, we are aggressively ramping that facility. And as I mentioned earlier, the margins have been negatively impacted. Overhead absorption is subscale if the facility is scaling. And we're under a temporary power contract that's not as advantageous as our regular power contract. And that clicks in, we're hoping, the beginning of December. So that both of those things getting to scale in a lower power cost should enhance our margins at this site.

This is the Python results. Again, we continue to scale here as the legacy hosting clients roll off and we plug in our own machines and that of the hosting joint venture that we have. On this slide, you'll see us pulling together some information on the profitability of our hosting JV. You'll see that our hosting JV contributed about \$229,000 in cash contribution margin to our profitability. And you'll see we've plugged in about 200 Petahash in terms of hashrate. That will slowly make its way to 300 Petahash as we fully ramp up our engagement with our customer. Over here, you'll see some of Marie's operating metrics for your review.

Now I'll jump into the quarterly review. I think here you'll see us bring down the consolidated Soluna Computing down to adjusted EBITDA. And I think it was important, as we reviewed our expenses that are sitting at the formally known as Edith or what we used to know as TNT, there were some corporate level expenses that we had historically put onto that site since this was our first site. And we're taking this opportunity to reclassify some of those expenses out of that site level P&L and into corporate. And so, you'll see the adjustment and reconciliation on this page here. And here we bring down information on the TNT Edith site. I always look forward to presenting this graph every quarter because it's our way of being accountable to you to demonstrate a strong return on invested capital. So this is the return on invested capital for our formally site, formally known as TNT. After 16 months, we've returned twice our capital invested, and we're anticipating, call it, by some time of in April next year to return three times are capital invested.

Now, for our other two sites, what we expect is once we fill them with equipment and they become "mature", every quarter we'll begin to put this out to you, which will demonstrate how



much capital has gone into these sites and how much capital's being generated so you can track, along with us, our return on invested capital by site. And this is the Marie P&L taking it down to EBITDA. So now I'd like to introduce Moshe Binyamin to talk about the MTI Instruments business.

## **MTI Instruments Update**

Hello, my name is Moshe Binyamin, President of MTI Instruments.

As with prior updates, I will first cover the key market trends and provide an update on some of the key opportunities we have been working on. I will then review our financial performance and discuss our sales and marketing activity metrics, as well as deal flow analysis. I will conclude with the summary of our priorities and focus for the remainder of the year. When we look at the activity that contributed to our Q3 results, we saw that for PBS, test-cell and peripheral sales were a major revenue driver. This is also a positive indication that commercial aviation has continued to recover, which is a precursor to near future growth of portable PBS units. On the instrument side, we saw continued steady demand from semiconductor instrument manufacturers to this point on a year-to-date basis. Revenue for 2021 from the semiconductor vertical exceeded both 2019 and 2020 by more than 20%. Finally, our engagement with material manufacturers continue to progress this quarter. Specifically, we successfully secure the first delivery of sensors for institute machinery alignment compliance.

In my last update, I outlined some of the initiatives we have been working on to deliver on the accelerate growth strategy. Today, I would like to give you an update on the status of these initiatives. On the military side, we received the final sole source RFP for our tubal fund vibration analysis and balancing technology from the US Air Force, and are anticipating the conclusion of this process before the end of this year.

In my last update, I also mentioned that we were working with L3 Harris on a capacitance space displacement sensing project. Since that update, L3 has been acquired by Rank, a German organization. And we're in final review process of the contract by Rank. Here as well, our expectation is that this contract will be awarded this year. On the EV Battery related roller gap front, the OEM qualified our solution, and we are in the process of end-user qualification. Safran test-cells, which is a new PBS customer, place PBS orders to be delivered both this year, as well as next. In Q3, GE received the first article of MTIs 12 megawatt off-shore wind turbine air gap measurement solution. And we are in field trials stage at the moment. And for industrial material manufacturing, we secure the first order of sensors for institute machine alignment.



Let's now review MTI Instruments Q3 financial performance. MTI Instruments revenues for the third quarter totaled just about \$2 million, with a contribution margin of 66% or about \$1.3 million. When looking at the revenue from a product line and geographic perspectives, we see quarter on quarter growth, which is a positive indication that both product lines and geographies are experiencing growth. Remaining relevant in the respective verticals and geographies continues to afford a stability to both recognize and capitalize on emerging trends. And we have done exactly that this quarter as well. Let's now take a look at the deal flow dynamics as our leading indicators.

When we look at the volume of business transacted in Q3, we can see that in the third quarter of 2021, we saw continued improvement in business volume. This translated to more leads, more quotes, and more orders. Specifically, order volume increased from 148 orders in Q3 2020 to 248 orders in Q3 2021, or an increase of 67%. When we look at the amount quoted in booked, we can see that 46% improvement over prior years quoted amount and 123% increase in order amount booked. Let's now take a look at the progress we made this quarter around new product innovation. Using our cap sensor platform, we are now running six different qualification projects with some of them entering the end-user application qualification phase. This is quite encouraging since it validates our strategy of rapidly building manufacturing solutions for machine alignment and material thickness compliance with minimal engineering effort. On the aviation side, our commercial version of PBS Gen4 has generated its first successful orders, and several more are in the works. And finally, our next generation precision signal simulator concluded the industrial design phase.

In conclusion, we have been able to make good progress on our growth objectives in spite of trouble restrictions imposed due to the pandemic and remain committed to our accelerated growth strategy by developing more complete solutions for select verticals. To this point, we see clear opportunities to build out the EV Battery Solutions practice as well as the industrial machine alignment solutions practice. In addition, we are well positioned to target the larger precision material manufacturing compliance market, leading with our cost effective, wired and wireless sensors, and added strategic capabilities to meet industry for our integration needs. I am very proud of the progress the MTI team was able to make, and more excited than ever about the business opportunity we have in the marketplace. This concludes the operational update for MTI Instruments. I want to thank you for your time, and will now pass it on to Jessica Thomas, our Chief Financial Officer, who will deliver the financial update. Jessica.

## **Financial Highlights for Q3**



Hello. Thank you for continuing to tune in. My name is Jessica Thomas, and I am the CFO at Soluna Holdings, Inc.

I will be reviewing the financial highlights for Q3. I would also like to thank everyone that takes the time to tune in to the monthly flash updates in our quarterly reviews. We look forward to our continued transparency and commitment to ongoing communications. I'm going to start by highlighting some key financials. We ended Q3 with 15.8 million cash on hand, up 446.5% over the second quarter. We continue to deploy our capital to invest in the facilities and equipment to ramp and grow the business. We've been able to invest 17.7 million year-to-date, and prior to Q3-Close, closed, a preferred non-diluted preferred raise for 18.3 million. Closing our quarter three revenues at five million, up 53% over Q2 revenues, and growth is expected to continue as we continue to ramp and invest in equipment.

We have also continued to invest in our internal infrastructure and key partnerships. After adjustments for non-recurring and non-cash expenses, we have an estimated adjusted net income of 935,000 through Q3. As discussed in prior presentations, our SG&A expenses have increased year-over-year, driven by costs associated with being public and listed on NASDAQ, additional internal infrastructure in human capital. This will increase our overall expected run rate. In addition, we have incurred 3.3 million in expected non-recurring expenses and non-stop cash compensation. We believe that the expected run rate of SG&A will scale at a more moderate level as the strong ramp continues. These expenses are important to establish a strong foundation to build for the future.

I would like to end the presentation with an illustration of the shift in our overall revenue mix. The growth of the cryptocurrency revenues are expected to continue as we continue a strong ramp with continuing to fill the capacity of both Marie and Sophie. Q2 revenue for the cryptocurrency business unit and instruments were split evenly, while Q3 cryptocurrency represented 61.6% of the Q3 revenue. In closing, the leadership team here at Soluna Holdings Inc, Soluna Computing Inc, and MTI Instruments extend our warmest regards and appreciation. We are excited to be executing on plans, and look forward to continuing to bring you all exciting news.

Thank you for joining us.





## Legal Disclaimer

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To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: non-gaap revenue, contribution margin, adjusted cost of cryptocurrency revenue and adjusted EBITDA contribution. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

#### **Use of Estimates in monthly Presentations**

Numbers presented BEFORE the release of Form 10-Q for fourth quarter ended December 31st, 2021, are monthly estimates and subject to change upon final accounting adjustments and entries. These monthly estimates are presented as an illustration of management’s review of key metrics that help in understanding the performance of the Company. Readers are strongly encouraged to review this presentation in connection with the Company’s Quarterly Report on Form 10-Q for the period ended March 31, 2021, Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2021, Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2021, and the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

