



**Soluna Holdings, Inc.**

# December Flash Report 2021

Company Update

## Transcript

Michael Toporek: Good morning. This is Michael Toporek. I'm chief executive officer of Soluna Holdings. Thank you for joining me for this December 2021 Flash Report. As usual, we begin with a bit of a preamble that everything I'm going to tell you is completely qualified by the legal disclosures on the following pages. Really our goal here is to share with you some of our strategic thinking and some financial analysis. The discussion is very much in line with our desire to be accountable and transparent with you, but we do operate in a hyperdynamic economic environment. It's really a fancy way of saying things can change quickly. 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 need to plan and make operating and investment decisions. This presentation lays some of that for your review, and on the following several pages is the detail of the legal disclaimers. Page one, page two, page three.

As usual, we begin with clearly outlining our key operating principles. First is really aligning our interests with that of shareholders. Basically it's accountability and transparency. Firm I help to run



owns about 30% of the equity of the company. And we are very focused on increasing shareholder value. Our actions are completely aligned with that. We also are focused on what I call high velocity execution, basically setting our targets and executing as rapidly as possible. Many of you know about our decision-making rules around return on invested capital. We're extremely disciplined when we approach both how we raise capital and how we choose to deploy capital. We also are formulating and beginning to execute on a long-term strategy beyond merely crypto, where crypto is an important part of it, but our company expands beyond simply providing cryptomining capabilities.

It's important that when you look at our company, you frame what we do relative to others quite differently. We solve a problem for energy producers. We buy curtailed energy from renewable power plants and convert it to clean low-cost global computing that allows us to enable more green, renewable power to come onto the grid. Also, the opportunity begins to expand, as I just mentioned, beyond crypto into batchable computing, which is providing computer services for digital currencies, but in addition, research, video processing and scientific research. So let me begin by giving you a business update and some of the December results in detail.

First, the business update. Really December 2021 was quite remarkable, despite an 18% decrease in the average Bitcoin price between November and December. So our realized price in November was about \$60,000 of Bitcoin and we realized 49,000 approximately in December. Despite that 18% decrease, our revenue for December actually increased over November. For most businesses, that would be a remarkable feat. Imagine a regular business that experienced an 18% price cut per unit. That means that the number of units we sold or Bitcoins produced actually increased dramatically because we are scaling. So that brings me next to hashrate.

Our hashrate target continues to be, to hit one exahash by the end of March plus or minus 30 days. And it's well-known why we're plus or minus 30 days. Logistics, supply chain provide some challenges, but our goal remains unchanged and that we expect to hit



that goal. In 2022, we expect to add at least 100 megawatts of capacity at sub 2.50 cent per kilowatt. Our hashrate is expected to scale plus or minus as I show you on the chart. So plus or minus at the end of the first quarter, we hit one. As Dorothy begins to build out, we begin to hit 1.3 at the end of Q2. And then we start to really aggressively add as the project gets completed, where we hit two, three, and then by the end of Q1 2023, four exahash. And on January 19th, I expect to release what we call our earnings power illustration. Basically, if we hit these numbers and these milestones, what does that mean in terms of potential earnings power? And we'll give you a fair amount of transparency and details to the plan, how we get there by location and what we're planning on doing, and also flexibility within the plan, possible capital expenditure assumptions, depending on the opportunities in the marketplace.

So here's an operational update quickly. Sophie scaled to 25 megawatts and was fully energized by the end of the month. Marie scaled to 21 megawatts, but the tornadoes in Kentucky made the transformer upgrades that we had thought we would get done in December to bring the site up to 25 megawatts, something we're doing in January. And those upgrades involve powering down some of the facility, changing up the transformer, and then powering it back up and really rolling that out through the entire site so that we can hit our 25-megawatt target. For Dorothy, which you'll hear more about on Wednesday, we've already procured the electrical infrastructure. That means that back in August, we already bought transformers, switch gear and all sorts of infrastructure requirements to plan for this project. We've hired the necessary construction resources, and we're getting set to break ground. We will continue our live feed from Sophie since I think some of you enjoy looking at that, and I expect to have a live feed on Dorothy once we break ground, so all of you can watch us build Dorothy out.

And this is Sophie, a nice aerial view. You'll see that there's a substation here. This was the substation that belonged to the utility that asked us to locate right next to their substation, so they can help balance their load because they're taking on renewables, an increased level of renewables onto their grid. And those are the



buildings at least that you saw real-time being constructed. So congratulations to the team, very grateful. Despite a number of logistical obstacle, the team delivered on time and on budget, which we're very, very proud of. Our hashrate continues to ramp to one exahash. You'll see our flash hashrate for January 14th at 640. That means that we have 367 proprietary hashrate, and we are going to grow our proprietary hashrate by 358 petahash to get us to a total of one exahash under roof.

Again, it's important to note that going from 367 to 358 almost doubles our proprietary mining earnings power. When we move from November to December, you'll see we went from 126 to 312, despite the 18% decrease in the price of Bitcoin. Because of that tremendous increase in our proprietary hashing power, we were able to continue to show a revenue increase. I would expect to show continuing significant earnings increases, especially if the Bitcoin price rate remains the same or higher. And we are going to continue to deliver and drive very significant increases in operating income over the next several months.

So let's take a closer look at December. The tornado in Kentucky was a very significant event for the region. It forced us to shut down Sophie and Marie for about four days. Most importantly, all our employees and their families were safe. By the grace of God, they were safe and none of our equipment was impacted. We felt a tremendous responsibility to the region to help ameliorate the effects of the devastation that we saw around us and that we were fortunate enough not to experience firsthand. And so we secured and funded the deployment of a two-megawatt generator for a wastewater treatment facility in Mayfield to help our neighbors get back to normality. Also, we released our power back to the utility to improve grid reliability as the area recovered its power. We did still manage to bring Sophie up to 25 megawatts. And as I mentioned earlier, we pushed the Marie facility upgrades to the end of January to get us where we were going.

So this slide helps break down the economic impact of the tornado on December site-level economics. You'll see that for Sophie, in terms of contribution margin, was about \$100,000. For Marie, it



was about \$34,000, and that gives us a proforma combined income of 2.138. Edith obviously was not effective since it's not in the region. So our annualized cash contribution margin would have gone up in December, regardless of the impact of the tornado on Marie and Sophie. And again, that was driven by the significant increase in proprietary hashrate from November to December. I would expect the same kind of scaling will continue as we nearly double the proprietary hashrate over the next several months.

This just goes over some of the detail in our facility, which I mentioned. We've got about 9.7 petahash at Edith, continues to produce solid results for us. Sophie, fully energized by the end of the month. It's got over 206 petahash by January 14th. We did mention that Marie, we're upgrading the site's infrastructure to get us from 21 to 25 megawatts. That's important as we scale up and that'll be done at the end of January. I think we have a rubric that the power company has guide us towards to finally close the facility deal for Marie. We continue to operate there as if we owned it, but I'd like to get that transaction behind us. I expect that it'll take several more months, but we're well on the way and have a solid framework to get this done and behind us.

So let's get into some of the results for December 2021. You'll see here, the cash contribution margin was about \$2 million. Not including the effect of the tornado in December, including the proforma effect of the tornado, it was 2.138. You'll notice that we have continued to scale our business here. These are some of our operating statistics. You'll notice here, I'll call out the November and December average BTC price went from 60 to 49. Edith continues to perform well for us. Again, with the decline in crypto pricing, that did affect revenue and contribution margin, but I would expect that at this point, it's a mature facility and continues to be a reliable cashflow producer for us. This is some of the details on Sophie's performance. The facility fully powered up by the end of December, and we expect miners to be plugged in as they arrive. This is Marie's results. We continue to scale that facility as the legacy hosting customers roll off, and we expect that to be completed by



the end of the first quarter. Our JV continues to be very strong performer for us.

I'd like to thank you for joining us for this December 2021 Flash Report. Following is our appendix with more details and more information. Again, I hope you join us on Wednesday when we release our earnings power illustration, and look forward to receiving your questions and comments both on this presentation and on Wednesday's presentation. Thank you for all of your support.

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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.

