



Soluna Holdings, Inc.

First Quarter Flash Update 2021

Company Update

Transcript

Michael Toporek, CEO Soluna Holdings, Inc.

Thanks for joining us this morning. I have Moshe, the CEO of our Instruments business with me and Jessica, our CFO. This first quarter was the best the company has had in about a decade from a revenue perspective. We'll walk you through the details, but first, some legal disclosures that Jessica will read for us.

Jessica Thomas, CFO Soluna Holdings, Inc.

This presentation includes forward looking statements within the meaning of the Private Securities Litigation Reform Act that reflect our current views with respect to among other things, our operations, business strategy, interpretation of prior development activities, plans to develop and commercialize our products and services, potential market opportunity, financial performance, and needs for additional financing. We have used words like anticipate, believe, could, estimate, expect, future, intend, may, plan, potential, project, will and similar terms and phrases to identify forward looking statements in this presentation.

The forward looking statements contained in this presentation are based on management's current expectations and are subject to substantial risks, uncertainty and changes in circumstances. Actual results may differ materially from those expressed by these expectations due to risks and uncertainties, including among other things, those related to our ability to obtain additional capital and favorable terms to us or at all the success, timing and cost of ongoing or fu-



ture operations, the lengthy and unpredictable nature of the project development and technology process and businesses in which we currently engage or may engage.

These risks and uncertainties include, but may not be limited to those described in our filings with the SCC. Forward looking statements speak only as of the date of this presentation. And we undertake no obligation to review or update any forward looking statement, except as it may be required by applicable law. Use of non-GAAP financial measures to supplement our consolidated financial statement, which are prepared and presented in accordance with GAAP. We use the following non-GAAP financial measures, 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.

Michael Toporek, CEO Soluna Holdings, Inc.

As many of you are aware, we're driven by several key operating principles, transparency, accountability, and alignment of interest. We continue to be focused on return on investment with high velocity execution. And those principles helped us achieve excellent results this first quarter, and to set up the foundation for great results for the remainder of the year. I'm going to first begin talking a little bit about the EcoChain business, then Moshe will run you through the MTI business and Jessica will walk you through the financials. First, the EcoChain business. We had another strong quarter at EcoChain.

We continue to scale up the business, revenue momentum continued, and we're also spending time preparing to construct Anaconda and setting things up so we can close Python and hit our 50 megawatt operating target by the end of the year. At TNT our margins continue to be strong as we actively manage the portfolio of equipment we have operational. We routinely sell equipment and replace it with equipment when we perceive there'll be value from the trade. We also optimize our equipment portfolio as we mine Bitcoin, and selected all the coins.

And you can see that we've had achieved a strong result very similar to what we had expected when we last spoke. You should be familiar with this cumulative cashflow graph by now. We continue to be on track to return about a hundred percent of the capital invest in the TNT mine within 12 months of the operation. That's an accomplishment we're very proud of. Addressing Python's performance, this is new to you because January we had some spare equipment that we had and the owner of Python allowed us to have that hosted at the site. We haven't disclosed that before.

So this is a new disclosure that we had equipment actually running at the Python site, hosted at the Python site. You'll see that it isn't very much, but we thought it was important that we get



that equipment up and running and generating cash flow for us. In addition, as we announced, we bought equipment in April, which is being hosted at the Python site until that transaction closes. You'll also notice certain one time expenses charged off against the site of \$347,000. These are one time costs related to the transaction. That leaves about 13,000 as the GNA for the quarter for the site.

This is the consolidated eCoaching result. Please note that the one time expense of 512,000 on this income statement is mostly composed of non-recurring expenses. 340,000 of this is related to the Python transaction as we just referenced. The remaining 165,000 is related to the building and development of the Anaconda site. So ongoing operating GNA for this segment is about \$51,000. Jessica will review these numbers for you in her financial review of the company's performance.

Our pipeline continues to be strong in terms of other potential development targets we're looking at. We continue to be focused on achieving the 50 megawatts online in an operation by the end of the year. Our TNT site is up and running and performing well for us as expected. Anaconda is proceeding well. We'll continue to update you as we break ground there. And we expect that to be up and running late Q3 early Q4. In addition, the Python site is our acquisition in a Southeast USA, but we expect to scale up to 25 megawatts and we're projecting that their transaction will likely close on or about July 1st.

Moshe Binyamin, President MTI Instruments

Hello, everyone. My name is Moshe Binyamin. I'm the president of MTI Instruments, and I will be providing the operational review of the first quarter to you today. My update will cover a number of topics that as a collection, aim to provide a wider view of factors that are driving the business activity and contributed to the results of our first fiscal quarter. I will first cover the market trends. I will then look at key financial results. I will then dive into deal flow and revenue analysis to provide deeper insight into these trends and show how they translate to business activity.

I will conclude with the priorities we continue to focus on to meet our revenue and market position objectives. The market trends that are influencing our business can be summed up in three key categories. In our aviation business, we're seeing steady demand for our PBS products from our military customers. Continued consumer spending on online shopping has also been generating demand for our PBS products from our freight aviation and test sell MRO customers.

And finally, while still in early stages, the increase in commercial aviation has generated number of conversations, which we are engaged in at the present. When it comes to our way for inspection product line, we saw increased activity from organizations focused on new wafer ma-



materials, targeting the electric vehicle and 5G markets. As a result, we are now engaged in number of opportunities, working closely with our prospects to support the inspection of new semiconductor [inaudible 00:09:02] materials. The third notable trend is the growing interest in our products from system integrators, targeting EV and 5G battery manufacturing.

The driver is the need to achieve a higher capacity via tighter monitoring and control of separator and electrolyte material thickness. These trends represents significant market opportunity for MTI Instruments, and we are working diligently to capitalize on them. From a revenue perspective, MTI Instruments generated 1.3 million in Q1 while maintaining a healthy contribution margin of 68% or nearly \$900,000. Let's take a closer look at the contributing factors that generated these results.

The first table shows product line view of the revenue. From that, we can see that nearly 40% of the revenue was generated from the Instruments product line and 60% from our PBS line. The second table provides a geographic view. Here we can see that about 70% of the revenue was generated from North America, mostly from our PBS business and 30% of the revenue from our EMEA and Asia regions. The diversification of revenue in both product and geography gives us the ability to monitor both local and global trends and take advantage of them wherever they may be.

To better understand the operating environment I would like to discuss the deal flow metrics for a minute. For this purpose, we have two views. The first is an analysis of the volume of deals, and the second is the amount quoted and closed in total. When we look at the number of leads, quotes, and orders, we can see steady improvement from the last six months, which are certainly encouraging signs of the economic recovery. We can also see that while customer spending is also improving, it is not quite back to pre-COVID levels.

Let's now talk about priorities going forward and the progress and key initiatives I shared with you in our last update. Our priority is to accelerate revenue through product innovation. And we have made good progress this quarter. For our Pico Meter resolution product, we are in customer engagement phase and have reached out to several semiconductor equipment manufacturing organizations. For our wireless compact probes, we received a prototype order and are in application qualification mode.

In the aviation space, we officially launched the commercial version of our PBS gen-4 at MRO Americas. We also completed the industrial design of our next generation function generator, and are now focused on internal layout of the electronics and software development. We have continued our efforts to enter new verticals. Specifically, we are past the engineering and design phase in number of qualification programs and are now engaged in fabricating custom



sensors to support the specific configuration needs of the application. On the product innovation front, we made good progress this quarter and continue to do more.

We also continue to retool our products to better meet system in integrator needs. We are implementing these requirements as part of our vertical solution development and product innovation projects. Our mission is accelerated growth, and we remain optimistic that as the economy continues to strengthen, we will be ready to take full advantage of it. This concludes the operational update of MTI Instruments. I would like to thank you for your time, and we'll now pass it on to Jessica Thomas, our CFO, who will share with you the financial highlights.

Jessica Thomas, CFO Soluna Holdings, Inc.

Thank you. And welcome to the last part of our presentation. My name is Jessica Thomas, and I will be walking you through the financial highlights of Q1 2021. If you have been with us before and seen a prior presentation, welcome back. And if you have not, welcome for the first time. Thank you for joining us. We are pleased to report the highest Q1 revenue in the past 10 years. This mainly driven by the establishment of the EcoChain business line versus prior year first quarter. In addition, EcoChain revenues were 995,000 for the first quarter, which is an increase of 141% over the fourth quarter of 2020.

We are pleased to say that the TNT line is now at capacity and was for the entire quarter of 2021. The public offering in April resulted in net proceeds of 13.7 million, which will help to fund us on our strategic growth plans specifically on the EcoChain line of business. In addition, the EcoChain business line contributed 693,000 of adjusted EBITDA. We round out financial highlights, pausing on our SG&A expenses which were a million dollars higher in the first quarter versus prior year SG&A expenses. We described those in fuller detail coming up.

So let's talk about the SG&A expenses. The SG&A expenses were a million higher this year versus the same quarter prior year. Of that one million, 761,000 we expect to be one time non-recurring expenses. And we'll go over those in a few minutes. Also, of the one million in total, 451,000 were in legal fees for various purposes and 170,000 for investor relations activities. Now let's take a deeper dive into the one time expenses related to SG&A costs. Let's start on the EcoChain side of the house.

On the EcoChain side of the house, we had approximately 271,000 for legal fees related to the new leases that we announced on the definitive agreement, as well as 171,000 related to operations and management agreements and due diligence activities towards new site acquisitions. In addition, 70,000 related to additional due diligence and related expenses for new site initiatives as well. Now, let's go over to the corporate side of the house.



When we look at the corporate side of the house, 129,000 in legal fees for corporate activities related to the incorporation into Nevada, the stock incentive plan and the special meeting, as well as the NASDAQ up list and additional SCC filings that were due. As well as on the corporate side of the house, approximately 120,000 related to investor relations expenses, including the special shareholders meeting in the initial NASDAQ registration. Now that we know the details of what was driving those one time SG&A expenses, let's take a look at those totals again. If we take a look at the total of SG&A less those one time expenses is 1,077,000. And that's approximately 282,000 higher than the similar than the same quarter of 2020. Thank you, and we appreciate everyone taking the time to join us.

Legal Disclaimer

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business strategy, interpretation of prior development activities, plans to develop and commercialize our products and services, potential market opportunity, financial performance and needs for additional financing. We have used words like "anticipate," "believe," "could," "estimate," "expect," "future," "intend," "may," "plan," "potential," "project," "will," and similar terms and phrases to identify forward-looking statements in this presentation.

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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.

