



Soluna Holdings, Inc.

January 2022 Flash Report

February 2022

Company Update Transcript

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Good morning. This is Michael Toporek. I am the Chief Executive Officer of Soluna Holdings. Thank you for joining me for our January 2022 Flash Report. As is customary, I begin with a bit of a preamble telling you that the following discussion is completely qualified by the legal disclosures on the following several pages. I want to share with you some of our strategic thinking and financial analysis that we use really to guide the growth of our business. The discussion is in line with our principles of being accountable and transparent with shareholders, and we do operate in a hyper-dynamic economic environment. That's really a fancy way of saying things change quickly.

What we're telling you here is based on our estimates and assumptions, which are our best guesses. 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 out some of that for your review. This is a page of legal disclosures and disclaimers, a second, a third.

I'd like to begin by talking to you a little bit about our key operating principles. Alignment of interest, accountability, and transparency are critical to the way we do business and the way we communicate with you, our investors. I also help to run a private equity firm that owns about 30% of the common equity of the company. Therefore, I like to think that our interests are aligned with those of public company investors, and we like to share information in the same way we do with our private investors, with our public investors on a monthly basis. Also, we like to share with you details of what I like to call high-velocity execution. We're deeply engaged in working with the team to make sure they have the tools



to execute our business plan as rapidly as possible. One of the things we focus on when thinking about the business is the return on invested capital and using that discipline to help drive our investment decisions. Also, I think you'll find, especially over the next year, that we will begin to lay out our long-term strategy beyond crypto, and we think that's a differentiating factor from others engaged in this industry.

One of the most important things we do is that we're a solution provider to the renewable energy business. We buy curtailed energy from renewable power plants and convert it to clean, low-cost global computing. We provide a solution to renewable energy plants that can't sell all of the power they produce. The markets for what I'll call batchable computing that can take advantage of the curtailed energy that we're harnessing are significant. They include digital currencies, which we're currently engaged in. They'll later include batchable computing targeted at pharmaceutical research, graphics and video processing, and scientific research.

Today I'd like to talk to you about a business update and then give you January '22 results in detail. Let me put in front of you our targets for 2022 on two variables, first in terms of megawatts, second in terms of exahash. We've already achieved our target in terms of megawatts for the first quarter of 2022. We've fully energized, set up the infrastructure, and debugged over 50 megawatts of infrastructure. We expect to scale that by an additional 100 megawatts over the next several quarters. In addition, we expect, plus or minus, to hit an exahash by the end of the first quarter of this year and by the end of the third quarter hit two exahash, fourth-quarter three exahash.

We've energized 52 megawatts. Our hashrate is continuing to ramp to one exahash. As of February 8th, we operated 734 petahash. Our target for March 31 is to operate one exahash. That means that we have to add 270 petahash to our proprietary fleet. That means that our proprietary earnings power between February 8 and March 31 will increase by 59%. That will be clearly demonstrated in the financial results we put out to you. Now, for your convenience, we have begun to put out the June and September metrics, which show us increasing to 1.2 exahash, and eventually to two exahash in September.

A critical item that I need to communicate to you today is that all plugs and infrastructure are now set. That means we've ramped up, the shakedown is completed for installation of computing to achieve one exahash. That means transformer upgrades at Marie are done. No material shutdowns are planned for the active sites. And we've been really fortunate. The legacy hosting at Marie that we originally anticipated would roll off by the end of March has been done rolling off by the end of February, so we're about 60 days early in our access to plugs. So we are really ready to go full bore.

Some high points from the business. In January, the Bitcoin equivalent mined increased by 11% month over month. If the transformer upgrades were excluded, the Bitcoin equivalent mined would have actually increased over 20%. As I mentioned earlier, Marie finally scaled to 25 megawatts, the transformer upgrades are complete, and we really are set to hit an exahash by the end of March. Let's look at some important developments across our facilities. At Edith, we've got a bit over nine petahash going there.



We're optimizing and refurbishing certain equipment, which you'll see start to come up over the next couple of months. At Sophie, we're over 230 petahash. We continue to scale up that facility. At Marie, we are close to 490 petahash. We're continuing to scale that up. We're fortunate, as I mentioned before, that we were able to get the legacy hosting customers off by the end of January, which is 60 days earlier than we had anticipated. With Dorothy, that's our project that we're expecting to build and scale up this year, pre-construction activity for the first 50 megawatts of that flagship project is complete. We anticipate breaking ground on this facility sometime this month. That's terribly exciting and really provides the next leg of growth for our company.

I wanted to give you a closer look at January, and very specifically how the transformer upgrades affected our revenue and cash contribution margins. You'll see that revenue was just a touch over \$3 million. If we did not have the transformer upgrade, it would've been up to \$3.2 and the contribution margin would've moved from about \$1.9 million to a touch over \$2 million.

Let's move on to some of the more detailed numbers. Let's take a look at Soluna Computing's consolidated historical results, really from the first quarter of 2021 through the end of the year 2021 into January of this year. What I would really like to point out is, despite a significant decrease in Bitcoin price from December to January, on a pro forma basis, the cash contribution margin is only slightly lower. And of course, the reason for that is we've brought on additional hashrate, and we expect to continue to bring on additional hashrate throughout the year.

These are some operating metrics that'll help you take a look at our performance throughout the month. As you can see, we successfully continue to scale up our results in terms of the Bitcoin generated and the revenue and profitability of the business.

Let's spend a moment talking about Edith's financials. One of the altcoins that Edith mines went through a halving, which did reduce to some extent its profitability. In addition, we did migrate away from that coin into a different altcoin, which was somewhat less profitable. Also, you'll notice that the hashrate has gone down since we took some machines out of service to repair them. I expect them over February and March to come back into service as we maintain the site and seek to boost its profitability.

You'll notice that Sophie performed well for us as it ramped. Its cash contribution went from 759 in December to 888. And Marie was where we had the transformer upgrades, and you'll see the revenue and cash contribution margin adjustments for that. You'll notice that the hosting JV we have was somewhat affected during the month as well, not for very much money in terms of the cash contribution margin. We believe the adverse effect on that was approximately \$20,000. And the cash contribution of the JV continues to be very strong for us. Following here are some operating metrics where you can track how we scaled up our business.



I would like to point out a couple of things in the appendices for your reference. This slide is our earnings power illustration at various Bitcoin prices. We're repeating it from our earnings power illustration that we put out several weeks ago. The purpose of this slide being repeated is that it allows our investors to hold us accountable for our performance month by month and to actually verify how we are performing relative to the metrics we put out there. We look forward to being accountable to our investors and delivering on the earnings power of your company.

In the remainder of this presentation, you'll find information, for example, on our named site nomenclature, as well as detailed financial information.

Please feel free to reach out and email me directly or our investor relations firm. Thank you.



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