

## UPDATE NOTE

CLIMATE TECH & SUSTAINABLE INVESTING

### Soluna Holdings, Inc. (NASDAQ: SLNH)

Dorothy Energization Scheduled; Financing Secured; Company at an Inflection Point

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#### KEY POINTS

- **Final funding for Project Dorothy is now secured, with energization scheduled for the first week of April, pending approval from ERCOT.** Soluna recently announced \$7.5 million in funding from existing project investor Spring Lane Capital (SLC) that will be used to complete the final energization of Dorothy and support corporate expenses. SLC's stake in the 25 MW Dorothy 1A increases to ~85% from 32%, but Soluna retains the right to 50% of 1A's profits after SLC achieves an 18% IRR hurdle. Soluna continues to own 100% of the 25 MW Dorothy 1B as well as the 50 MW Dorothy 2.
- **Soluna is now at inflection point.** This financing is the final piece to get the project energized and able to generate revenues. The company expects its hosting customers to realize ~\$28 million in annual revenues for the first 50 MW phase.
- **We see the additional investment from SLC as an endorsement of Project Dorothy's potential and Soluna's outlook.** SLC's investment implies a ~\$30 million valuation for Project Dorothy and we expect it should help 'de-risk' potential investment in future projects.
- **Project Dorothy will be a replicable template for future projects.** Once energized, the project will be one of the lowest-cost facilities of its kind in North America. Soluna's unique modular data center design should allow the company to quickly expand at Dorothy and help secure new project sites as the proven model should make it an attractive partner for project developers, grid operators, and financial investors.
- **Soluna's data centers provide a solution that helps support the growth of renewable energy.** By purchasing electricity that would have otherwise been unsold, Soluna helps improve project economics for renewable power and further its growth on the grid. Moreover, data centers can easily ramp down their power use to help balance the grid in times of extreme power demand.

#### KEY STATISTICS

Price	\$0.29
52-Week Range	\$0.25-11.92
Average Daily Trading Volume (30-Day)	343,578
Shares Outstanding (MM)	18.68
Market Capitalization (\$MM)	\$5.8
Enterprise Value (\$MM)	\$32.66
Fiscal Year-End	December

Source: YCharts, as of March 15, 2023

#### OUR INSIGHTS

##### The Opportunities

Soluna is on the cusp of a major jump in its revenue and size with the start-up of its delayed flagship Project Dorothy. Low energy costs and renewable power sources give the company a competitive advantage to grow the profitability of its Bitcoin mining and expand its customer base into batchable, GPU cloud computing. With recent competitor bankruptcies, there is an opportunity for lower-cost miners or hosting customers that seek new low-cost plugs.

##### The Obstacles

Soluna is subject to multiple factors that are outside of its control, mainly the timing of approvals from transmission operators, such as the Electric Reliability Council of Texas (ERCOT), and Bitcoin pricing/hash rate. The company has executed on what is in its control and has proved adept at reacting to these challenges, but they have slowed progress and forced Soluna to raise additional capital. As the company grows and brings on more projects, we expect portfolio diversification will help minimize the impact of individual project risk on corporate results.

**ABOUT THE ANALYST**

**Graham Mattison**  
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Graham Mattison brings more than 20 years of experience in equity research, investor relations, and corporate operations, growth, and development. Graham was the Investor Relations Officer for two NASDAQ-listed companies where he led multiple equity raises as well as managed an activist investor campaign, M&A and corporate restructuring, and a NASDAQ delisting and relisting.

Previously, he was a Senior Equity Research Analyst, most recently at Lazard Capital Markets, covering the industrial and cleantech industries. He began his career in Southeast Asia as an Investment Analyst for Daiwa Securities. He was also co-founder of an online residential real estate start-up that developed a web-based auction platform.

Graham received his BA in East Asian Studies with minors in Economics and History from Hobart College and his MBA in Finance with honors from the Thunderbird International Business School at Arizona State University. He is an Investor Relations Charter (IRC) holder from the National Investor Relations Institute.

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