

Soluna Holdings, Inc.

Fireside Chat Highlights Project Dorothy Energization and Its Potential; Valuation Coming into Focus

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KEY POINTS

- **We recently hosted Soluna Holdings Chief Executive Officer John Belizaire for a fireside chat**, which included a discussion of the long-awaited energization of Project Dorothy, recent and potential contract wins, along with the future development pipeline. This report contains a transcript of the fireside chat from April 27, 2023, which can be accessed [on demand](#).
- **Soluna is turning the corner.** The answers and commentary on the call were by far the most upbeat and encouraging that we have heard in the last nine months. With Project Dorothy now energized at last, Soluna is now looking for ways to maximize recurring cash flows and grow the company rather than addressing operational and liquidity challenges related to the project delays.
- **Robust demand for hosting.** The company noted that it is seeing strong levels of demand from miners looking for host plugs, particularly for hosts that can offer low-cost renewable power along with high-quality infrastructure. Soluna is now in an advantageous position with Project Dorothy as improving mining economics are helping demand, while at the same time industry bankruptcies and project delays are limiting the supply of host plugs.
- **Pipeline of potential projects strengthening.** The company stated that it has well over 300MW of projects that could be developed today with financing partners. Moreover, it has received more inbound calls in the first four months of 2023 than it did in all of 2022. We expect that having Project Dorothy up and running should help drive further interest as it is a replicable template that can be deployed easily at a variety of renewable energy sites.
- **Valuation coming into focus.** With the energization of Project Dorothy and the first contracts executed, we expect investor focus to begin to shift toward the cash flow potential of the current and future projects rather than near-term liquidity concerns. The company just announced a 14-month extension on its October convertible note that we expect will remove a major overhang on the shares and allow investors to see Soluna on a sum of its parts against the market capitalization, which today stands at just \$5 million.
- **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

Ticker:Exchange	SLNH:NASDAQ
Current Price	\$0.20
52-Week Range	\$0.17-\$8.85
Average Volume (30-Day)	748,562
Shares Outstanding (MM)	27.0
Market Cap (\$MM)	\$5.5
Enterprise Value (\$MM)	\$31.4
Fiscal Year-End	December

PRICE PERFORMANCE



ABOUT THE EXECUTIVE



John Belizaire
Chief Executive Officer,
Soluna Holdings, Inc.

John Belizaire has served as a member of the Board and as Chief Executive Officer of Soluna Computing since October 2021. Prior to joining Soluna, Mr. Belizaire was the founder and CEO of FirstBest, a transformative insurance software company acquired by Guidewire Software, and Theory Center, an e-commerce software company acquired by BEA Systems. Before becoming an entrepreneur, he was the lead architect for Intel's Digital Enterprise Group. Mr. Belizaire has a B.S. in Computer Science and a Master of Engineering in Computer Science from Cornell University.

EXECUTIVE DISCUSSION

Graham Mattison: John, welcome. Perhaps you can start by telling us about your new role as CEO.

John Belizaire: Graham, thanks for having me back. It's always a pleasure. Pretty excited. I've been focused on the operating level activities for the combined companies for the past 18 months since the acquisition of our business into MTI. Through the growth and everything that we've been through, the board has blessed me with the opportunity to ascend to the holdings role where I'll be responsible for all the group activities and subsidiaries, et cetera. It's exciting and forthcoming here shortly.

Graham Mattison: Congratulations and it comes at an exciting time. Obviously, the big news is the energization of Project Dorothy. Can you give us an update about where things are with that? Maybe the background of how it's being energized and any color there?

John Belizaire: Yes, I'm happy to, and I'm sure that some of our listeners have been patiently waiting for us to give this update on Dorothy and the fact that it's getting energized. I can't tell you how many times on every social network you can think of, people have asked me what the status of Dorothy is, and so I can finally say that ERCOT has approved us to energize the first 50 megawatts of our facility.

Right now, we're finalizing all our safety tests and doing the testing for the first 25 megawatts known as Dorothy 1A. We're also working on filling Dorothy 1A with hosting customers, and we expect the Compass Mining announcement that we made today to be the first of a series of these types of announcements as we look to monetize Project Dorothy.

But Project Dorothy has been a wild ride. Last summer we had all indications from our parties involved that we would be online. Then we were hit with some major shifts in the process. We were told that it was a very simple process, and then we applied to that very simple process, and then they changed the process.

That change in the process change created a lot of headwinds. Not to mention the crypto winter that took place toward the latter part of the summer. That had us working through two very challenging series of activities.

We had to get our flagship project through a much more protracted regulatory process, and we had to work through the effects of a crypto winter where Bitcoin was sliding. It really put the team in a hunker-down mode.

I call it wartime mode. I was a wartime CEO at the time, and that allowed us to get the team to focus on problem-solving, which made it very difficult to maintain the same level of communication that we've had in the past with some of our loyal investors.

I do want to thank those investors for sticking with us during that difficult period. We've learned a lot that will influence our execution going forward. But I think the key thing I want to say is that our mission hasn't changed. Yes, we've been through some challenging times as many companies in our space have.

We are passionate about making renewable energy a global superpower by helping power plant owners, like the power plant that sits next to Dorothy, sell every megawatt.

We've got a great data center product, software and business model that allows us to capture the curtailed energy at these plants. The monetization of that wasted energy has primarily been proprietary Bitcoin mining. That's what we've got at Sophie and some of the other sites. Now we're shifting our focus to more hosting and co-location as it requires less capital and there's strong demand for that right now. To be honest with you, Project Dorothy 1A was an exciting experience because we had lots of folks asking how do I take the whole site? How do I get involved?

We've put together a program to fill that facility. I think our core principles will really propel us into the future, regardless of the type of compute we put in those facilities, so we're excited about Project Dorothy. It's really the culmination of the vision that we've laid out, and it's our foundational project.

Graham Mattison: Having been an analyst for a long time, everyone goes through these challenging periods at times, the key is surviving it, which you guys have done and you've come out on the other side with your core business intact.

Regarding the hosting contracts, can you give more color on how the hosting contracts work and their pros and cons? You moved Sophie over to hosting and you just announced the first hosting contract at Project Dorothy.

John Belizaire: Yes, between those two contracts, that's close to 30 megawatts of hosting on a 75-megawatt total footprint of projects. We're seeing some very interesting experiences. Number one, there's lots of demand. The actual structure of the hosting contracts is a lot more robust now.

I think that has a lot to do with what hosting customers have experienced over the last year, especially the bankruptcies in the industry- a lot of those agreements have been tested and the business models have been tested. We are seeing a mixture of fixed cost based structures. We've seen profit share structures and we've seen a mix of both in terms of the types of models that customers are interested in signing onto.

With the two contracts we've signed to date, we have a mixture of all of those. I think we'll begin to see a mixture of all of them in our portfolio as we fill out the facilities with either hosting or proprietary mining.

The nice thing about that is it gives us the ability to have a clearer line of sight on revenue and what that will look like somewhat of a floor, if you will. It also allows us to participate in some of the upside of Bitcoin when it happens.

More importantly, it allows us to monetize the infrastructure that we built and generate a return on investment for our investors. That's what we're seeing. From proprietary mining and hosting, the market has really shifted. It's not only Bitcoin and cryptocurrency, but also financial markets and supply chain that have put a real ringer on the space and the recent announcement with Sophie is just allowing us to continue to solve the challenges that have been driven by that.

It's going to improve our liquidity through the Sophie deal. It de-risks a lot of what we're doing moving forward. It doesn't preclude us from doing proprietary mining because again as we still own 100% of the infrastructure. As those contracts expire, we can reevaluate what we have in the facility.

Yes, we just announced Compass Mining for Project Dorothy 1A, as we said, and we're excited about that partnership. We will have more of those announcements coming. I'd say stay tuned as we build those out. As we continue to build out those facilities, we're going to evaluate. Should we do proprietary mining? Should we do hosting? Should we do a mix?

We're really seeing many Bitcoin miners looking for plugs. That has a lot to do with the fact that infrastructure growth and plug growth have declined or paused due to the several bankruptcies in the space. There's more demand than supply. Also, customers who are leaving those other bankrupt crypto miners are now looking to place their machines in other places.

That's creating a robust demand out there. I think one more thing that we're seeing in the space is just that we're seeing hosting providers that are really interested in companies that own their infrastructure and that are really focused on building a high-quality customer-oriented service offering.

They are coming in with lots of wounds and bad experiences from prior players. We're hoping to deliver a higher-quality service with a platform that's powered by sustainable energy.

To be honest, a lot of them are really focused on that, the whole green aspect, and they want to see more sustainably focused hosting partners. That's creating a very interesting caterer of partners for us, and we're gravitating to the ones that care about that.

Graham Mattison: Yes, and you get low-cost power too, so it's a win all around.

John Belizaire: Exactly. That's right.

Graham Mattison: John, can you share any feedback you've received from customers and potential customers about Soluna's proprietary Modular Data Centers?

John Belizaire: Yes, what we've experienced and I think the quote in the PR from Thomas Heller at Compass Mining says a lot. The first thing they look at is the company and the people. I can't tell you how many potential hosting partners asked to meet us in person, to meet myself, and the rest of my management team in person to get a sense of who they're going to be doing business with.

When they meet Soluna and our team, they do see a different company. They see a team that's different than that they've encountered. I think they finally see how we take energy first as an approach. It's clear that we're helping to solve a problem that requires innovation.

That's why we built a proprietary innovative set of data centers that can be co-located with utility scale energy assets like solar and wind in remote locations. These MDCs, as we call them modular data centers, they're designed to perform Bitcoin mining and other compute, scientific Blockchain, AI, and creating unprecedented demand flexibility that matches intermittent power generation in these grid systems that we're focused on.

Our architecture, when they dig in, they can see it really enables utility scale energy assets to build larger, interconnected systems that can move very quickly and allows them to have a higher capacity factor because now they can monetize more of their energy. Our solutions also include a proprietary set of software that allows us to optimize the energy cost.

Partners that are looking at our platform see a lot of effort focused on implementing not only a facility that's high quality with really robust thermal management, great service systems, and monitoring, but it's powered by a brain of a system that looks at the power plant output, the grid systems pricing, Bitcoin price, and determines how to size the facility to optimize where we're sourcing the power from to get the lowest possible price for the type of compute that we're doing in the building.

I think what they're seeing is just a whole unique approach to technology, business, et cetera. Now, I think it's important to understand that we do believe Bitcoin mining, notwithstanding what people say about it, will help the global transition to clean energy. That passion bleeds out of us, and our hosting partners are attracted to it, and they see that we've invested considerably in technology to make that true.

Graham Mattison: A question from the audience and I will try to summarize it. Can you talk about the opportunities that you're seeing for additional project sites? How important is it having Dorothy up and running now with those conversations?

John Belizaire: It's huge. I mean, when we first started talking to the partner at Dorothy, it was just a concept, right? We introduced the idea that we were creating a company that would bring a different solution that provides an alternative to batteries behind the meter.

They took a leap to work with us, and I think they're going to reap massive benefits because Dorothy is a great solution to their problem. It provides a fantastic platform and case study for doing this for others. Now after that conversation and throughout last year, we had a massive series of discussions with other power partners that had similar challenges.

They were inundated with lots of different companies like Soluna, talking to them about buying their power and multiple different structures.

What we found is that when all the noise dissipated, they returned to what their gut told them was a much better structure and approach to this problem. They have been impressed with our ability to look at this from a holistic perspective and technology, and now what they're going to see is a spinning example that they can come visit.

Many of them have asked to do so. That will provide them with a reduction in their view of risk, if you will, because now we have a spinning solution. They can talk to their colleagues or peers in the space and show that our technology works, the structure works, and the energy partners are happy. That positive case study will be a driver, we believe, of our growth.

We've already had more inbound calls looking to partner with us on our projects so far in 2023 than we had all last year. The urgency with which these power partners are talking to us about building projects is to some extent perplexing for us because last year, we felt that they were aggressive, somewhat spreadsheeting us, but now they're trying to form a deep partnership with us and look at multiple different projects at once, that's very different.

What that tells me is it reinforces something I've seen in my experience as an entrepreneur and a technologist. Innovation takes time. It takes time to build. You have to be a missionary and teach people about the value, but ultimately, when people wake up to the potential value. As long as you're there, you're a surviving company, you can reap the benefits. We're starting to see that happen already.

Our brand is synonymous with a company that really knows what they're doing as it relates to this problem space.

Graham Mattison: In the power space, that's the most important thing: the reputation and the quality because this is an industry where you don't get paid to take risks. You get fired for taking risks if they go wrong. Nobody wants to do anything until there are people who've done it before.

The fact that they can go send their engineers and talk to your engineers makes a difference. Nobody wants to be the first one, but once it's there, then it opens the floodgates.

John Belizaire: Exactly. If they're talking to a partner or a colleague or they're one of the big infrastructure players, they will say if you guys feel lost, you should call this company Soluna.

I've got emails like that where these guys are working on this thing, and they don't really know what they're doing, and I think I'm going to tell them there's somebody that they can talk to that knows what they're doing. That's just really gratifying that we're able to reap those benefits right now.

Graham Mattison: We have a question about Dorothy in terms of the timing. What are the next steps, and can you give any updates on the timing of 1B and other steps?

John Belizaire: Absolutely. Yes, so as I mentioned earlier, we're focused right now on getting Dorothy 1A online. That's the first 25 megawatts. We're putting together roll-in schedules with our mining partners. We're really focused on testing, getting everything ready for those customers to roll in and start to energize.

That's going to be happening here over the next several weeks. We'll expect a ramping up of the 1A project during the month of May. We're finishing the construction activities at 1B. We've laid all the asphalt and everything on the ground, so we're going to have some new videos and pictures so folks can see the project coming together.

The 1B construction includes things like putting fans on the doors or on the buildings and putting the garage doors and filling out some of the network infrastructure.

1B will start to ramp up about a month to two months after 1A comes online and basically start to ramp up there, and we'll make some announcements around 1B and what we're looking to do inside that facility as well.

But keep in mind, it's the range, right? We can do hosting there, prop and hosting, or some combination. We're looking at all of those and we're in discussions with potential partners there as well.

Then from there, on the Dorothy side, we'll look to begin all the planning work for the development of the second 50 megawatts of Dorothy. At Dorothy, we have the ability to nearly double the footprint of our overall assets under management.

We'll start the process as there at that part of the project as well. So that's Dorothy. We're excited about the project. As I said, we'll probably do some launch party or something down there. I can't tell you how many visit requests we're getting about the facility these days, so we're jazzed about it.

The new team is coming online as well. We've got a number of folks locally that we're hiring, and that's exciting for the local community there. We're proud of this project, and the team is excited to prove that our solution works there.

Graham Mattison: Another question is can you talk about the overall demand environment, or competitive environment? How has that changed for you over the last year?

John Belizaire: On the power side?

Graham Mattison: I think probably both, just in terms of either finding locations, but then also working with other partners, financial partners, hosting partners.

John Belizaire: Yes, what we experienced the last two years was folks who got to know about Soluna became very attracted to our story, our team, our execution expertise and so forth. That allowed us to get into a number of conversations, but I wouldn't say that we were as well-known as we wanted to be because there were so many other companies, lots of capital going to all those different players. The market was just very noisy.

While some of these power partners and hosting providers wanted to partner with us, they just had so many other options. Some of these companies were much bigger than us, and so they really focused their energy there first.

Things have switched where customers are looking for partners that they can grow with over time. They've heard mention of Soluna, but they didn't really understand who and what we were until now.

Our story is bubbling up to the top if you will. I was just at lunch with a very big Bitcoin mining partnering company. They partner with infrastructure players to deploy their proprietary mining. They spent a lot of time understanding my business, me personally, the company. As I said earlier, it was just so different from what they had seen before, and it was so clear that this is what they're looking for now.

While they do have choices out there, we're just seeing more gravity toward the Soluna brand and our mission and our team execution than before.

On the power side, the same is true. We're getting callbacks from companies. We're getting inbounds from companies to meet with our team about their assets because I'm hopeful that the word is getting out that we're strong executors, very professional, and really have a true interest and mission for helping these power partners out there.

That's creating some real robustness to our pipeline. We have opportunities now for well over 300 megawatts that we could develop, provided we can capitalize them and partner around them. That's exactly what we're looking to do. That is different than what we experienced before. It felt like there was a lot more competition.

Customers would throw term sheets at us that had crazy requirements in there, and they'd tell us that the other guys were just saying yes. One of my favorites was, I don't understand Soluna. Everybody else, we say jump. They say how high? We talk to you guys, and you say, why do you want me to jump? What's that about? You guys ask all these questions. We would say, well, if no one else is asking you questions, you should be really concerned.

Graham Mattison: They should be concerned as that is never a not a good sign.

John Belizaire: Yes, that's not a good sign when competitors were acting irrationally. I'd say that we're much better positioned right now, and our goal is to take advantage of that improved positioning in the space as quickly as possible.

Graham Mattison: I want to be respectful of your time so one last question. Obviously, there have been a lot of changes and great accomplishments over the last six months, and now you are stepping up to the CEO role. What should investors be looking for in the company going forward?

Can you give them an outlook or some milestones that you really want to focus on over the next six to 12 months?

John Belizaire: There are three things we're going to be focused on over the next six to 12 months. First, we're going to be looking to access new pockets of capital. Obviously, the capital markets have closed to just about every company, not just in crypto, but just in general.

It's particularly starved for capital right now. We've got great case studies, as I said in Sophie and scaling Dorothy with nearly 75 megawatts down from last year because of the decommissioning of Marie. We've persevered as a company through a crypto winter and the market turbulence in 2022 and near-term challenges with liquidity, et cetera. We've worked through a lot of tough things as a business, and I think that has proven that we built the right management team.

No one has left. Everybody has been extremely focused, in fact leaning into the problems. When capital makes its way back into the industry, they're going to be looking for strong management teams with a unique approach to their market. That is Soluna.

Now that there's less noise and perhaps, they'll see us more and we'll be fortunate to enjoy the potential for that capital. We think that capital today is more at the project level. It's more project level equity and debt. There's capital that's either new capital looking to come back into the space or old capital that is returning to the space.

I think our company represents a growth opportunity, a platform opportunity for those types of investors. That's the first thing. So new access to capital.

The second is reducing our debt and equitizing the business. As many of you know, we have a convertible note. We have other aspects of our cap table that puts a real demand and strain on the business because those obligations have to be met.

We've had a number of negotiations underway on this track to help to reduce that debt load and equitize the business. Our October noteholders share our vision for the company. They want the company to succeed, and they've been working with us to develop a program to reduce their debt.

That's why we announced that 30-day extension so that we can work on the nuts and bolts of that restructuring and plan to reduce the debt over time. We also have to finish some of the workout with the machine lenders that we signed last year as well and that's moving along. So that's the second thing.

The third is developing and building out our near-term pipeline of projects. We have other Dorothys, in fact, better Dorothys. They're bigger, they're in places where the power prices are even more depressed because of the amount of congestion and challenges with overdevelopment in those parts of the grid.

We have several projects that are at the term sheet phase with some strong brands in the space, that anybody in the energy space will recognize, and frankly, anybody outside of the energy space will recognize.

We have more inbound calls from larger consolidated power partners, more than we had last year. I say consolidated because they're bigger companies now. There's a massive amount of consolidation happening because there's so much capital coming into the space. The smaller developers can't survive on their own.

Graham Mattison: Yes, consolidation is the natural way that industries work. It all comes together.

John Belizaire: Exactly. It all just comes together. You have much bigger players and they have these huge portfolios of assets that have this problem, or they're looking at new projects and they're finding that it's hard to deploy capital because they have this problem potentially. They see the Soluna solution as a way to address that.

We see new investors as well who see the value of infrastructure in the sustainability space and are now reaching out to us as well. We want to see more, more of those folks. If those folks are watching today or listening today, we want to talk to you because we think we got a great model and it'll be proven now with the Dorothy solution and that sets us up to build that out. To recap, it's number one, really focus our energy on finding new access to capital. Of course, energizing and building out Dorothy, reducing our debt and equitizing the business.

Then developing and building out our pipeline and the relationships with new infrastructure investors and power partners.

Graham Mattison: Thank you so much.

ABOUT THE ANALYST



Graham Mattison
Senior Research Analyst

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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