

Soluna Holdings, Inc.

3Q Results Show Turnaround Is Complete. Look for EBITDA Growth and Catalysts in Coming Months

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KEY POINTS

- **Reports 3Q23 revenues of \$5.8 million and positive adjusted EBITDA of \$405K, up from \$2.1 million and negative ~\$2 million, respectively, in 2Q23.** The improved results reflect additional contributions from new projects that began ramping up in 2Q23, along with lower SG&A that reflects the cost-cutting efforts enacted earlier in 2023. We note that comparisons to 3Q22 are not meaningful given the company's pivot to mostly hosting contracts at its data centers rather than proprietary Bitcoin mining where it recognized both higher revenues and costs.
- **Soluna continues to deliver on its stated goals.** With reaching positive adjusted EBITDA in 3Q, Soluna has now hit all the near-term goals its new CEO laid out in early 2023: Project Dorothy 1A & 1B are energized and contributing cash flow, Project Dorothy 2 is on track for energization in 1H24 (with an AI pilot), and the development pipeline is growing with the announced Project Kati and a long-term pipeline that now stands at more than 2,000 MW.
- **We expect accelerating EBITDA growth from a full quarter of Project Dorothy 1 and contributions from more profitable contracts at Project Sophie.** Project Dorothy 1A and 1B are now fully operational and generating cash flow as of October, while the company's new contract with Bit Digital at Project Sophie, which is more profitable, came online in early November. We look for further EBITDA growth in 2024 as the initial phase of Project Dorothy 2 comes online, which could be bolstered by potential contributions from Project Kati. Soluna has stated that each 25 MW (100% owned) can contribute \$6-7 million in annual project-level EBITDA.
- **We see multiple potential catalysts in the coming months:**
 - **Milestone announcements at Project Dorothy 2.** The site layout has been finalized and the initial 16-MW phase is on track to begin in 1H24. We look for updates on hosting contracts, financial partnerships, and energization.
 - **Progress on the AI initiative.** Soluna has announced its AI initiative called "Helix", which is the next phase of the company's growth. We expect to hear more on the AI pilot at Project Dorothy 2 and the Advisory Board announced, with its first member being the former head of advanced engineering and data center innovation at Google.
 - **Ancillary service revenues.** Soluna is on track to complete its registration for ERCOT ancillary services in Q124, which has the potential to diversify and boost revenue contributions from Project Dorothy.
 - **Further balance sheet improvements.** Cash at 3Q23 stood at \$5.6 million, up from just \$1.1 million at YE22. Soluna is now adjusted EBITDA positive (and growing), has a track record of developing and financing multiple projects, and has a robust near- and long-term project pipeline. The company is in a much stronger position today, which we expect will give it more attractive options as the company looks to shape its future capital structure at both the project and corporate level.

KEY STATISTICS

Ticker:Exchange	SLNH:NASDAQ
Current Price	\$3.45
52-Week Range	\$2.09-\$22.96
Average Volume (30-Day)	64,553
Shares Outstanding (MM)	1.6
Market Cap (\$MM)	\$5.6
Fiscal Year-End	December

PRICE PERFORMANCE



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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