



APPLIED DIGITAL

CFO Summary

Investor Day | October 12, 2023



Applied Digital

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Forward-looking statements may include statements about the Company’s future financial performance, including the Company’s expectations regarding net revenue, operating expenses, and its ability to achieve and maintain future profitability; the Company’s business plan and ability to effectively manage growth; anticipated trends, growth rates, and challenges in the Company’s business, the cryptoeconomy, and in the markets in which the Company operates; further development and market acceptance of cryptoasset networks and other cryptoassets; further development of the Company’s co-hosting facilities and customer base for co-hosting services; beliefs and objectives for future operations; the value of Bitcoin, Ether and other cryptoassets, which may be subject to pricing risk has historically been subject to wide swings; the Company’s expectations concerning relationships with third parties; the effects of increased competition in the Company’s markets and the Company’s ability to compete effectively; the Company’s ability to stay in compliance with laws and regulations that currently apply or become applicable to its business both in the United States and internationally; economic and industry trends, projected growth, or trend analysis; trends in revenue, cost of revenue, and gross margin; trends in operating expenses, including technology and development expenses, sales and marketing expenses, and general and administrative expenses, and expectations regarding these expenses as a percentage of revenue; increased expenses associated with being a public company; and other statements regarding the Company’s future operations, financial condition, and prospects and business strategies. More information about these risks and other factors that may affect the Company’s operating results are set forth under the captions “Risk factors” in our periodic reports (e.g. 10-K, 10-Q) that we file with the SEC, as well as “Risk Factors” in registration statements that we file with the SEC.

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Business Overview

Offering Industry Leading Infrastructure Solutions and Compute Intensive Applications

	What We Offer	Who Are Our Customers	Key Segment Stats
<div>AI BASED CLOUD SERVICES</div> <div></div> <div></div>	Rent AI/ML companies access to cloud servers to train and run applications	AI / ML companies	34,000+ GPUs ordered
<div>NEXT GENERATION HPC DATACENTERS</div> <div></div> <div></div>	Provide hosting infrastructure through purpose build HPC datacenters for the new wave of technological platforms and services	Cloud Service Providers	300MW+ In Development
<div>BLOCKCHAIN DATACENTERS</div> <div></div> <div></div>	Provide hosting infrastructure (power and maintenance) to Bitcoin mining companies	Bitcoin miners	~280MW Operating + ~200MW Coming Online

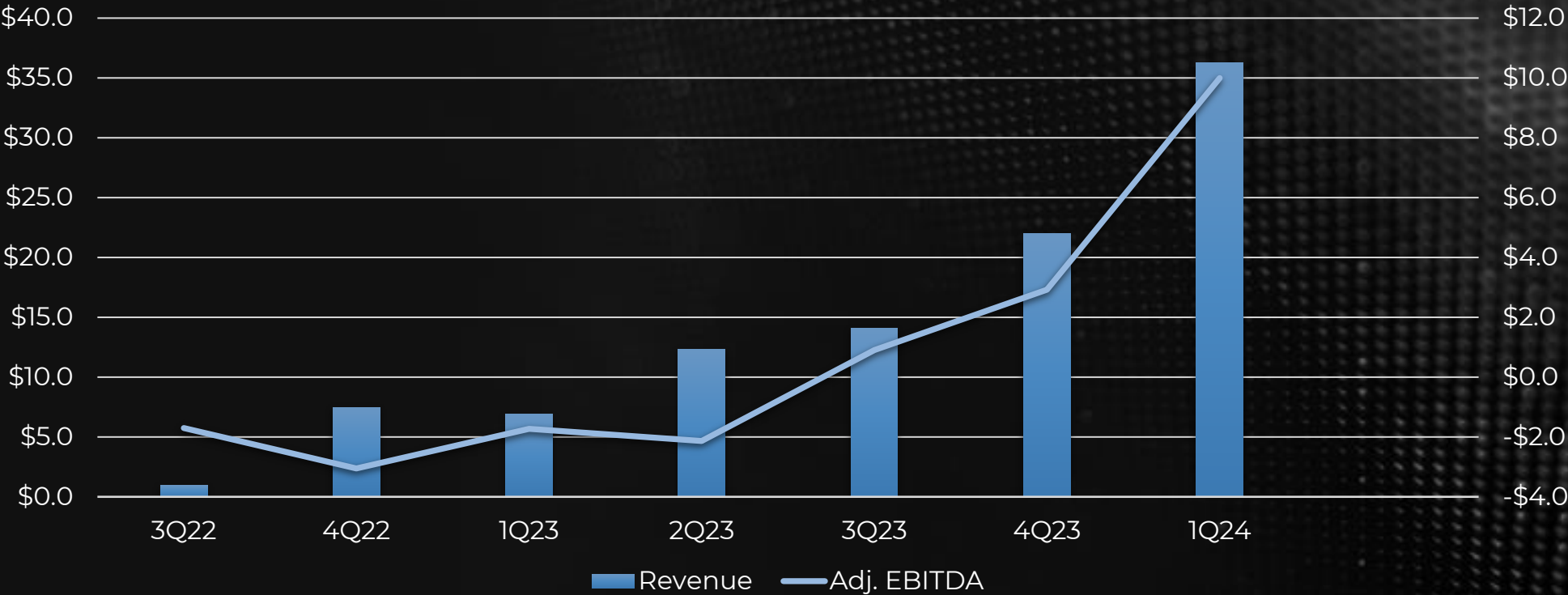


Organizational Chart



Financial Overview At A Glance

Revenue and Adjusted EBITDA Historicals*

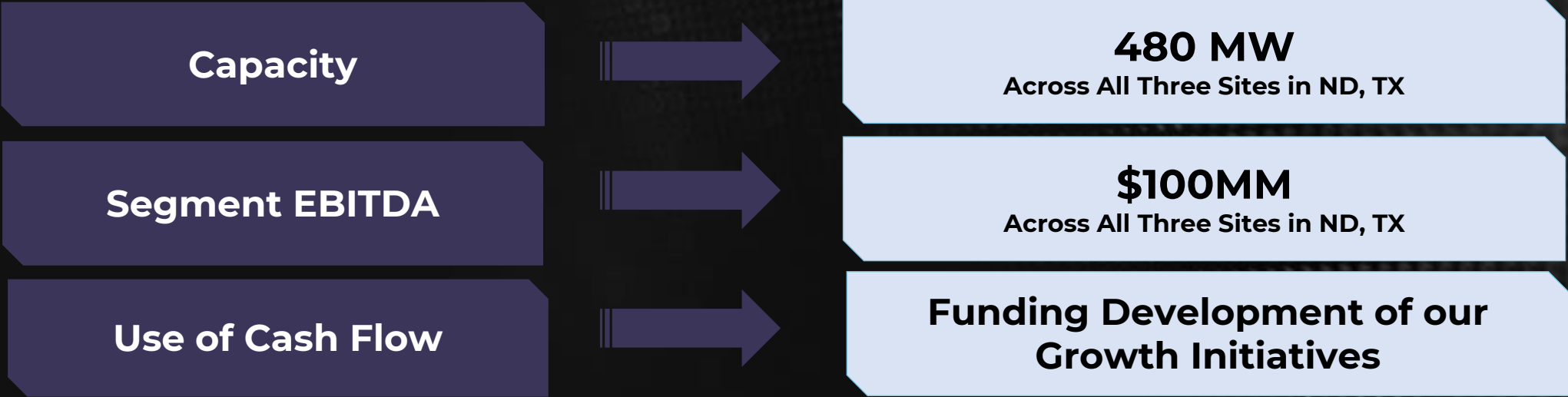


*Reconciliation of the GAAP and non-GAAP measure is provided as an Appendix to the presentation



Blockchain Colocation Datacenters

480 MW - \$100MM Segment EBITDA*



No new capacity being added, financed with site level mortgages

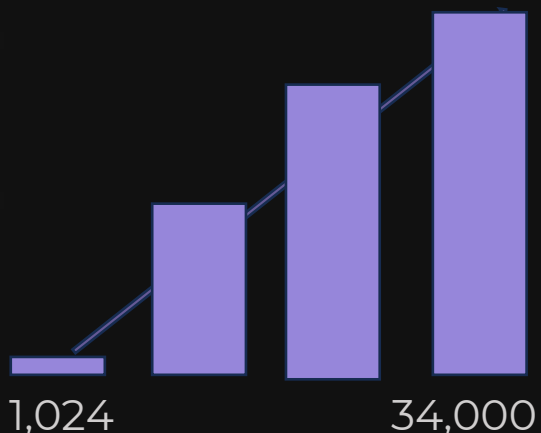
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Sai Computing Overview

34,000 GPU Orders

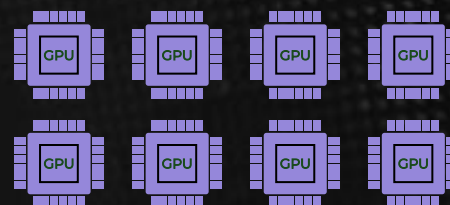
30+ MW of Capacity



Key Performance Indicators: GPUs deployed and ACV

Anticipated 40% Non-GAAP Segment Operating Margins at scale.

1.5 MW = 1,024 GPUs



Target and Estimated ~2 Year Cluster Payback

6 Year Useful Life.

Estimated ~\$18MM of annualized revenue on a reserve cluster of 1024 GPUs

Segment Economics

Financed via a combination of Customer Prepayment and Vendor/Partner Instruments like Capital Leases.

Engaging with a financial institution for a larger debt facility

\$ 23 MM Invested in prebuilding our 9MW Site,

Total Near Term Capacity of 30+ MW including Third Party Providers

Segment Finance



HPC Hosting

Key Performance Indicators & Next Steps:

MWs Energized and signing of an investment grade tenant for a majority of the capacity.

We have ~300MW to develop between North Dakota and Utah

Segment Economics

Traditional datacenter Economics with high 40% to low 50% segment EBITDA margins .

Illustratively, a 100MW site could generate ~\$200 MM of Revenue

How Do We Finance and Cost to Build?

Anticipated build cost of ~\$6 MM per MW for our new design.

Targeting 70% to 80% of construction cost financed by a traditional construction facility, with the equity portion potentially funded by a partner.



Building Blocks *(Illustrative Economics)*

BTC Colocation

PER 1 MW



MW (Per Annum)

REVENUE
~\$ 625K

Segment EBITDA*
~\$ 208K

HPC

PER 1 MW



MW (Per Annum)

REVENUE
~\$ 2 MM

Segment EBITDA*
\$ 900K - 1MM

AI Cloud

PER 1.5 MW



1,024 GPUs = 1.5 MW

REVENUE
\$ 18 MM Per Annum

Segment Operating Margin*
40% at Scale



*Reconciliation of the GAAP and non-GAAP measure is provided as an Appendix to the presentation

Thank You For Joining



Appendix A

“EBITDA” is defined as earnings before interest, taxes, and depreciation and amortization. “Adjusted EBITDA” is defined as EBITDA adjusted for stock-based compensation, gain on extinguishment of accounts payable, loss on extinguishment of debt, and onetime professional service costs not directly related to the company’s offering and therefore not deferred under the guidance in ASC 340 and SAB Topic 5A. These costs have been adjusted as they are not indicative of business operations. Adjusted EBITDA is intended as a supplemental measure of Applied Digital’s performance that is neither required by, nor presented in accordance with, GAAP. Applied Digital believes that the use of EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing its financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. We also believe EBITDA and Adjusted EBITDA are useful metrics to investors because they provide additional information regarding factors and trends affecting our business, which are used in the business planning process to understand expected operating performance, to evaluate results against those expectations, and because of their importance as measures of underlying operating performance, as the primary compensation performance measure under certain programs and plans. However, you should be aware that when evaluating EBITDA and Adjusted EBITDA, Applied Digital may incur future expenses similar to those excluded when calculating these measures. In addition, Applied Digital’s presentation of these measures should not be construed as an inference that its future results will be unaffected by unusual or non-recurring items. Applied Digital’s computation of Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate Adjusted EBITDA in the same fashion.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. Applied Digital compensates for these limitations by relying primarily on its GAAP results and using EBITDA and Adjusted EBITDA on a supplemental basis. You should review the reconciliation of net loss to EBITDA and Adjusted EBITDA and not rely on any single financial measure to evaluate Applied Digital’s business.

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, gain on extinguishment of accounts payable, loss of extinguishment of debt, no professional service costs, and other one-time/non occurring expenses.

Segment EBITDA defined as segment profit plus segment depreciation and amortization.

Reconciliations are not provided for guidance on forward-looking Non-GAAP measures as we are unable to predict the amounts to be adjusted.



Reconciliation of GAAP to Non GAAP for Historical Adjusted EBITDA

EBITDA and Adjusted EBITDA (\$ in thousands)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q23
Net Loss (GAAP)	\$ (2,397)	\$ (4,643)	\$ (4,531)	\$ (26,750)	\$ (7,341)	\$ (6,856)	(\$11,457)
Add: Interest Expense	-	112	356	385	384	855	2,074
Add: Income Tax (Benefit) Expense	60	266	32	(312)	-	(242)	-
Add: Depreciation	245	875	1,136	1,568	1,927	2,636	7,860
EBITDA (Non-GAAP)	\$ (2,092)	\$ (3,390)	\$ (3,007)	\$ (25,109)	\$ (5,030)	\$ (3,607)	\$ (1,523)
Add: Stock-based compensation	-	-	579	21,819	4,481	5,195	5,641
Add: Gain on Extinguishment of Accounts Payable	(80)	-	-	-	-	-	2,353
Add: Loss on Extinguishment of Debt	-	-	94	-	-	-	2,300
Add: Nonrecurring professional services	433	240	408	664	365	727	592
Add: Other nonrecurring expenses	-	93	200	494	1,094	615	653
Adjusted EBITDA (Non-GAAP)	\$ (1,739)	\$ (3,057)	\$ (1,726)	\$ (2,132)	\$ 910	\$ 2,930	\$ 10,016

