August 8, 2022

Marathon Digital Holdings Reports Second Quarter 2022 Results Along with Bitcoin Production and Mining Operation Updates for July 2022

LAS VEGAS, Aug. 08, 2022 (GLOBE NEWSWIRE) -- **Marathon Digital Holdings, Inc. (NASDAQ:MARA) ("Marathon" or "Company")**, a leader in supporting and securing the Bitcoin ecosystem, reported its financial and operational results for the quarter ended June 30, 2022.

Management Commentary
"In the second quarter of 2022, we increased our bitcoin production 8% year-over-year, producing 707 bitcoin, and we continued to install miners in Texas in anticipation of energization as we worked through both operational obstacles and a challenging macro environment," said Fred Thiel Marathon's chairman and CEO. "Energization delays, maintenance and weather issues in Montana, and an approximately 56% decline in the price of bitcoin during the quarter, severely impacted our bitcoin production and financial results. These items reduced our revenues, caused us to record a $127.6 million impairment on our bitcoin holdings, and decreased the fair market value of our investment fund by $79.7 million. However, given the groundwork we laid during the quarter and the progress we have made since, we are optimistic that Marathon's operational and financial positioning is improving.

"Subsequent to the quarter's end, we began energizing miners in Texas after the power generator received the much-anticipated news that the tax-exempt status of the wind farm had been confirmed. Of the 68,000 miners that are being installed at this facility, approximately 40,000, representing 3.9 exahashes per second, are already installed and are now starting to be energized. With miners currently coming online in Texas, we have increased confidence that our bitcoin production may improve in the near term.

"During July, we also eliminated the uncertainty surrounding our hosting requirements by securing enough hosting capacity to achieve our prior target of 23.3 exahashes per second of compute power to support and secure the Bitcoin network. From a financial perspective, we further bolstered our liquidity position by expanding our credit facilities with Silvergate Bank. Additionally, we are in the process of upgrading our fleet so that, by the time we achieve 23.3 exahashes per second we expect approximately 66% of our hash rate be generated by S19 XPs, which are 30% more energy efficient than the prior generation. With these upgrades, we believe Marathon's bitcoin mining fleet will not only be among the largest, but among the most efficient on a per terahash basis. Overall, this progress provides us with added confidence that we remain on track to grow our position as a leader in supporting and securing the Bitcoin ecosystem."

Second Quarter 2022 Financial Results
The Company recorded a net loss of $191.6 million, or $1.75 per share, during the quarter compared with net loss of $108.9 million, or $1.09 per share, in the prior-year period. The deeper net loss was primarily related to the decline of bitcoin's price in the second quarter of 2022 and the accelerated recognition of expenses related to the previously announced exit from the Hardin, MT facility, partially offset by a gain on sale of equipment.

The decrease in bitcoin's price had a significant impact on the Company's carrying value of digital currencies. On a combined basis, digital currencies subject to impairment and digital currencies held in the investment fund resulted in an expense of $207.3 million in the current-year quarter compared with a combined expense of $125.8 million in the prior-year period, an unfavorable $81.5 million period-over-period variance.

The Company recorded revenues of $24.9 million during the three months ended June 30, 2022 compared with $29.3 million during the three months ended June 30, 2021. This $4.4 million decrease in revenue was driven by lower revenue per bitcoin mined partially offset by an 8% increase in bitcoin production activity.

Cost of revenues were significantly impacted by the acceleration of certain costs associated with the early exit from the Hardin facility. Cost of revenues - energy, hosting, and other costs during the three months ended June 30, 2022, amounted to $16.7 million compared with $4.1 million in the prior-year period. This $12.6 million increase was driven by accelerated cost recognition associated with the early exit from Hardin and, to a lesser extent, higher costs per bitcoin mined. Cost of revenues - depreciation and amortization increased to $24.7 million from $2.9 million in the prior-year quarter, primarily due to the acceleration of depreciation related to the Company's exit from the Hardin, MT facility and, to a lesser extent, increased depreciation costs associated with a higher number of mining servers in operation.

The Company also realized a gain of $58.2 million during the quarter related to a 2021 contract that called for the company to sell certain equipment in support of the development of commercial activities at the wind farm in McCamey, TX.

General and administrative expenses were $12.6 million for the three months ended June 30, 2022, an increase of $5.8 million from the prior-year period. The increase was primarily a result of higher stock-based (non-cash) compensation expense, which increased to $6.1 million from $0.9 million in the prior-year period.

As of June 30, 2022, unrestricted cash on hand was $86.5 million.

Second Quarter 2022 Highlights

- Produced 707 bitcoin, an 8% increase from 655 bitcoin in the second quarter of 2021 and a 44% sequential decrease from 1,259 bitcoin in the prior quarter due to prolonged energization delays in Texas as well as maintenance and weather-related issues that impacted the power generating facility in Montana
- Increased total Bitcoin holdings to 10,055 BTC as of June 30, 2022, which are now held directly after the Company unwound its investment in NYDIG Digital Assets Fund III, LP ("the Investment Fund")

July 2022 and Recent Highlights

- Energization of previously installed miners hosted with Compute North in West Texas commenced after the power provider received confirmation of the tax-exempt status of the wind farm that supplies energy to the 280-megawatt bitcoin mining facility
- Total number of miners installed and awaiting energization across all facilities increased to approximately 49,000 miners (c. 4.7 EH/s) as of July 31, 2022
- Year-to-date through July 31, 2022, produced 2,038 bitcoin, a 58% increase over the same time period in the prior year
- In July, secured adequate hosting capacity to support all 23.3 EH/s of bitcoin mining after procuring new arrangements with Applied Blockchain (NASDAQ: APLD) and other providers as well as expanding arrangements with Compute North
- Benefitted from a downward market price adjustment for the 13,000 S19 XPs set to ship in August; benefits from price adjustments expected to continue as remaining XPs are shipped in the September – December timeframe
- Total bitcoin holdings increased to 10,127 BTC with a fair market value of $236.3 million as of July 31, 2022
- In July, increased credit facilities by $100 million through the refinancing an existing $100 million revolving line of credit and adding an additional $100 million term loan with Silvergate Bank
- Unrestricted cash on hand increased to approximately $120.7 million

Miner Energization and Installations Updates

In July 2022, the Federal Energy Regulatory Commission ("FERC") issued an order confirming the exempt status of the wind farm where over 68,000 of Marathon's miners, representing 6.8 EH/s, are being installed and hosted by Compute North in West Texas. With the exempt status confirmed, this facility, along with the miners Compute North and Marathon proactively installed, are now being energized. Currently, approximately 40,000 miners, representing 3.9 EH/s, are already installed at this facility. Based on the latest construction schedules, this facility is expected to be complete with all of Marathon's miners installed in September.

As announced on July 18, 2022, Marathon believes it has now secured ample hosting capacity to support the Company's prior target of 23.3 EH/s. The Company entered into an agreement with Applied Blockchain to secure approximately 200 megawatts of hosting capacity across Texas and North Dakota, with an option to expand to 270 megawatts; expanded its hosting arrangements with Compute North to include an additional 42 megawatts of hosting capacity at Compute North's facility near Granbury, Texas; and secured an additional 12 megawatts of hosting capacity with a variety of other providers.

Based on current construction and installation schedules provided to the Company by its hosting providers, Marathon currently expects to have enough miners installed to generate 23.3 EH/s in the middle of fiscal year 2023. Additionally, the Company continues to expect its mining operations to be 100% carbon neutral by the end of 2022.

Mining Fleet Update

In April, Marathon announced its intention to transition out of the facility in Hardin, Montana. On July 28, 2022 the Company terminated its power purchase agreements and commenced the acceleration of its exit from Hardin. The bitcoin mining servers that are on site are in the

process of being inventoried and removed from the facility and will be sold or redeployed to other locations in the near future.

On April 11, 2022, Marathon purchased an additional 30,000 S19 XPs from BITMAIN. The Company currently intends to use these additional S19 XPs, which are approximately 30% more energy efficient than the S19 machines used in Montana, to upgrade its current fleet. The Company still believes it is well positioned to achieve its prior target of installing enough miners to generate 23.3 EH/s. However, of the 23.3. EH/s, approximately 66% is now expected to be generated by S19 XPs.

Bitcoin Production Update as of July 31, 2022
Year-to-date through July 31, 2022, Marathon's mining fleet has produced 2,038 bitcoin, a 58% increase over the same time period in the prior year. As of July 31, 2022, Marathon held approximately 10,127 BTC, the fair market of which was approximately $236.3 million. As production ramps in the near future, Marathon may sell a portion of its monthly bitcoin production as needed to fund monthly operating costs.

Earnings Webcast and Conference Call
Marathon Digital Holdings will hold a webcast and conference call today at 4:30 p.m. Eastern time to discuss these results. To register to participate in the conference call, or to listen to the live audio webcast, please use this link. The webcast will also be broadcast live and available for replay via the investor relations section of the Company's website at ir.marathondh.com.

Date: Today, August 8, 2022
Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)
Registration link: LINK

If you have any difficulty connecting with the conference call, please contact Marathon's investor relations team at ir@marathondh.com.

Investor Notice
Investing in our securities involves a high degree of risk. Before making an investment decision, you should carefully consider the risks, uncertainties and forward-looking statements described under "Risk Factors" in Item 1A of our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on March 10, 2022. If any of these risks were to occur, our business, financial condition or results of operations would likely suffer. In that event, the value of our securities could decline, and you could lose part or all of your investment. The risks and uncertainties we describe are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. In addition, our past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results in the future. Future changes in the network-wide mining difficulty rate or Bitcoin hash rate may also materially affect the future performance of Marathon's production of bitcoin. Additionally, all discussions of financial metrics assume mining difficulty rates as of August 2022. See "Forward-Looking Statements" below.

Forward-Looking Statements
Statements made in this press release include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the

Securities Exchange Act of 1934. Forward-looking statements can be identified by the use of words such as “may,” “will,” “plan,” “should,” “expect,” “anticipate,” “estimate,” “continue,” or comparable terminology. Such forward-looking statements are inherently subject to certain risks, trends and uncertainties, many of which the Company cannot predict with accuracy and some of which the Company might not even anticipate and involve factors that may cause actual results to differ materially from those projected or suggested. Readers are cautioned not to place undue reliance on these forward-looking statements and are advised to consider the factors listed above together with the additional factors under the heading “Risk Factors” in the Company's Annual Reports on Form 10-K, as may be supplemented or amended by the Company's Quarterly Reports on Form 10-Q. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events, new information or otherwise.

About Marathon Digital Holdings
Marathon is a digital asset technology company that mines bitcoin with a focus on the blockchain ecosystem and the generation of digital assets.

Marathon Digital Holdings Company Contact:
Telephone: 800-804-1690
Email: ir@marathondh.com

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

	Three month period ended June 30,		Year to date period ended June 30,	
	2022	2021	2022	2021
Revenues	$ 24,921,816	$ 29,321,857	$ 76,639,534	$ 38,474,672
Costs and expenses:				
Cost of revenues:				
Energy, hosting and other costs	(16,684,759)	(4,056,168)	(29,201,710)	(5,724,646)
Depreciation and amortization	(24,709,797)	(2,937,666)	(38,586,480)	(3,675,603)
	(41,394,555)	(6,993,834)	(67,788,191)	(9,400,249)
Operating and administrative expenses:				
General and administrative expenses	(12,641,332)	(6,831,039)	(26,835,089)	(60,175,421)
Impairment of digital currencies	(127,590,231)	(11,078,660)	(147,141,486)	(11,740,859)
Impairment of patents	-	-	(919,363)	-
	(140,231,563)	(17,909,699)	(174,895,938)	(71,916,280)
Other operating income (expense):				
Change in fair value of digital currencies held in fund	(79,688,590)	(114,704,596)	(85,016,208)	17,323,121
Gain on sale of equipment	58,181,516	-	58,181,516	-
	(21,507,074)	(114,704,596)	(26,834,692)	17,323,121
Operating loss	(178,211,376)	(110,286,272)	(192,879,286)	(25,518,736)
Non-operating income (expense)	165,280	1,400,872	393,973	(7,250)
Interest expense	(3,748,322)	(1,203)	(6,562,358)	(2,406)
Loss before income taxes	(181,794,418)	(108,886,603)	(199,047,671)	(25,528,391)
Income tax (expense) benefit	(9,852,224)	1,984	(5,557,560)	514
Net loss	$ (191,646,642)	$ (108,884,619)	$ (204,605,231)	$ (25,527,878)
Net loss per share, basic and diluted	$ (1.75)	$ (1.09)	$ (1.93)	$ (0.26)
Weighted average shares outstanding, basic and diluted	109,437,293	99,466,946	106,101,762	96,922,964

Supplemental Information:	Three month period ended June 30,		Year to date period ended June 30,	
	2022	2021	2022	2021
Total margin (1)	$ 8,237,057	$ 25,265,689	$ 47,437,824	$ 32,750,026
bitcoin ("BTC") production during the period, in BTC	707.1	654.4	1,965.6	846.2
Adjusted EBITDA				
Net loss	$ (191,646,642)	$ (108,884,619)	$ (204,605,231)	$ (25,527,878)
Exclude: Interest expense	3,748,322	1,203	6,562,358	2,406
Exclude: Income tax expense (benefit)	9,852,224	(1,984)	5,557,560	(514)
EBIT	(178,046,096)	(108,885,400)	(192,485,313)	(25,525,985)
Exclude: Depreciation and Amortization	24,709,797	2,937,666	38,586,480	3,675,603
EBITDA	(153,336,300)	(105,947,734)	(153,898,833)	(21,850,383)
Adjustments for non-cash and non-recurring items:				
Stock compensation expense, net of withholding tax	6,132,224	875,971	15,407,576	51,907,111
Impairment of patents	-	-	919,363	-
Adjusted EBITDA	$ (147,204,076)	$ (105,071,763)	$ (137,571,894)	$ 30,056,728
Changes in carrying value of digital assets:				
Change in fair value of investment fund	$ (79,688,590)	$ (114,704,596)	$ (85,016,208)	$ 17,323,121
Impairment of digital currencies	(127,590,231)	(11,078,660)	(147,141,486)	(11,740,859)
	$ (207,278,821)	$ (125,783,256)	$ (232,157,694)	$ 5,582,262

	As of June 30,	
BTC held at end of period:	2022	2021
Total BTC held	10,054.8	5,783.7
BTC utilized as collateral for borrowings	2,820.4	-
Market value of 1 BTC (in USD)	$ 19,785	$ 35,041
FMV of BTC held	$ 198,931,636	$ 202,665,625
Carrying value of all BTC held	$ 190,438,773	$ 195,881,475

(1) Total margin is defined as Revenues less Cost of revenues - energy, hosting, other

Non-GAAP Financial Measures

We provide investors with a reconciliation from net income to the non-GAAP measure known as Adjusted EBITDA as a component of this earnings release. For each period in question, we define “Adjusted EBITDA” as (a) GAAP net income (or loss) plus (b) adjustments to add back the impacts of (1) depreciation and amortization, (2) interest expense, (3) income tax expense and (4) adjustments for non-cash and non-recurring items (which currently include (i) stock compensation expense, (ii) net of withholding taxes and (iii) impairments of patents (if any).

Adjusted EBITDA is not a measurement of financial performance under GAAP and, as a result, this measure may not be comparable to similarly titled measures of other companies. Non-GAAP financial measures are subject to material limitations as they are not in accordance with, or a substitute for, measurements prepared in accordance with GAAP. Adjusted EBITDA is not meant to be considered in isolation and should be read only in conjunction with our Quarterly Reports on Form 10-Q and our Annual Reports on Form 10-K as filed with the Securities and Exchange Commission. Management uses both Adjusted EBITDA and the supplemental information provided herein as a means of understanding, managing and evaluating business performance and to help inform operating decision making. We rely primarily on our Consolidated Condensed Financial Statements to understand, manage, and evaluate our financial performance and use the non-GAAP financial measures only supplementally.



Source: Marathon Digital Holdings, Inc.