March 16, 2023

Marathon Digital Holdings Reports Fourth Quarter and Fiscal Year 2022 Results

FORT LAUDERDALE, Fla., March 16, 2023 (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 fourth quarter and fiscal year 2022 ended December 31, 2022.

Fiscal Year 2022 Financial Results
The Company recorded a net loss of $(686.7) million, or $(6.05) per share, during the fiscal year ended December 31, 2022, compared to a net loss of $(37.1) million, or $(0.37) per share, in the prior-year period ended December 31, 2021.

Unfavorable variances during the year compared to the prior year included:

- A fourth quarter impairment charge related to the carrying value of mining rigs and advances to vendors of $332.9 million.
- Declines in the carrying value of our digital assets (both impairments and realized and unrealized losses) of $317.6 million.
- Lower total margin of $150.4 million resulting primarily from the impact of lower bitcoin prices on revenues ($77.3 million), accelerated costs related to the previously reported exit from the Hardin facility ($54.3 million), and increased depreciation costs related to an increase in mining rigs in operation ($27.8 million).
- Impairments of $55.7 million related to the previously disclosed Compute North bankruptcy.
- The previously disclosed legal reserves of $26.1 million.
- Increased interest expense of $13.4 million.

Partially offsetting these unfavorable variances was:

- A significant reduction in general and administrative expenses of $117.6 million primarily associated with lower stock-based compensation.
- Gains on sales of mining rigs of $83.9 million.
- A $44.4 million favorable income tax variance.

Figure 1: Fourth Quarter 2022 Production Highlights

	Quarter-On-Quarter Comparison		
Metric	**Q4-22**	**Q4-21**	**% Δ**
BTC Produced	1,562	1,098	42%
Avg. BTC Produced per Day	17.0	11.9	42%

Figure 2: Fiscal Year 2022 Operational Highlights

	Year-Over-Year Comparison		
Metric	**FY-22**	**FY-21**	**% Δ**
BTC Produced	4,144	3,197	30%
Avg. BTC Produced per Day	11.4	8.8	30%
Operational/Energized Hash Rate (EH/s)[1]	7.0	3.6	94%
Installed Hash Rate (EH/s)[2]	9.1	3.6	153%

1. Defined as the amount of hash rate that could theoretically be generated if all mining servers that have been operational/energized are currently in operation (includes mining servers that are temporarily offline for maintenance or similar reasons). Hash rates are estimates based on the manufacturers' specifications.

2. Defined as the sum of operational/energized hash rate (see above) and hash rate that has been installed but is not yet energized (e.g., mining servers are in containers but not energized). Hash rates are estimates based on the manufacturers' specifications.

Management Commentary

"2022 was a difficult year to be a Bitcoin miner, but our team met each challenge head on, and we emerged smarter and more resilient," said Fred Thiel, Marathon's chairman and CEO. "We achieved several operational milestones during the year, including becoming significantly more sustainably powered as we shifted away from fossil-fuel generation and broke the mold on deploying behind the meter at a large wind farm in Texas. While navigating the macro environment, pivoting our energy strategy, and negotiating new hosting contracts, we doubled our hash rate to 7.0 exahashes of capacity year-over-year, and we finished the year with one of our most productive quarters to date. We produced a record 1,562 bitcoin in Q4, and we increased our bitcoin production 30% year-over-year from 3,197 BTC in 2021 to 4,144 BTC in 2022.

"Despite the operational progress, our financial performance was negatively impacted by several factors in 2022, including accelerated costs related to our exit from Hardin, the Compute North bankruptcy, and most significantly, a 64% decline in the price of Bitcoin that reduced our margin and resulted in impairment charges for our bitcoin holdings. Following the collapse of FTX during the fourth quarter, bitcoin prices dropped substantially, as did mining rig prices. This resulted in the need for us to record a non-cash impairment charge related to the carrying value of our recently purchased ASIC miners and certain advances to vendors related to the future delivery of mining rigs.

"In the face of these challenges, and given the macroeconomic uncertainty headed into 2023, we took proactive measures starting in the latter half of 2022 to strengthen our balance sheet. In December 2022, we fully paid down our outstanding balances under the revolving line of credit. In February 2023, we terminated our credit facilities with Silvergate Bank, which resulted in the release of 3,132 bitcoin that were previously held as collateral. We are also pursuing alternative banking relationships in light of the recent developments with Signature Bank. We believe these strategic actions have bolstered our financial position and will continue providing us with optionality, which we believe is essential given the current environment.

"We have two primary goals for 2023: the first is to energize our previously purchased mining rigs to reach our target of 23 exahashes by the middle of this year, and the second is to optimize our performance – to become more effective and more efficient.

"We believe Marathon is in a stronger position today than we were a year ago. We are a company with a strong balance sheet, a roadmap to hitting our primary target of 23 exahashes of capacity near the middle of this year, and we have a diligent team of subject matter experts who are all working to ensure that we energize our portfolio of mining rigs on

schedule and that we optimize our operations to become not just one of the largest, but one of the most resilient and most sustainably operated Bitcoin miners in North America."

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, 2022, filed with the SEC on March 16, 2023. 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 March 2023. 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 focuses on supporting and securing the Bitcoin ecosystem. The Company is currently in the process of becoming one of the largest and most sustainably powered Bitcoin mining operations in North America.

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

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)
(In thousands, except share and per share amounts)

MARATHON DIGITAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)
(In thousands, except share and per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021 (restated)	2022	2021 (restated)
Total Revenues	$ 28,417	$ 68,357	$ 117,753	$ 159,163
Costs and expenses:				
Cost of revenues:				
Energy, hosting and other costs	(29,736)	(15,220)	(72,717)	(27,491)
Depreciation and amortization	(13,827)	(6,888)	(78,709)	(14,904)
	(43,563)	(22,108)	(151,426)	(42,395)
Operating expenses:				
General and administrative expenses	(18,609)	(14,516)	(56,739)	(174,355)
Legal reserve	(1,171)	-	(26,131)	-
Impairment of deposits due to vendor bankruptcy filing	(16,674)	-	(24,661)	-
Impairment of digital assets	(26,392)	(11,853)	(173,215)	(30,329)
Impairment of patents	-	-	(919)	-
Impairment of mining equipment and advances to vendors	(332,933)	-	(332,933)	-
Realized and unrealized gains (losses) on digital assets loan receivable and digital assets	-	940	(14,460)	557
Gain on sale of equipment, net of disposals	-	-	83,880	-
Realized and unrealized gains (losses) on digital assets held within Investment Fund	-	15,286	(85,017)	74,696
	(395,779)	(10,143)	(630,195)	(129,431)
Operating income (loss)	(410,925)	36,106	(663,868)	(12,663)
Other non-operating income (expense)	663	(533)	1,283	(287)
Impairment of loan and investment due to vendor bankruptcy filing	-	-	(31,013)	-
Interest expense	(4,666)	(1,567)	(14,980)	(1,570)
Income (loss) before income taxes	(414,928)	34,006	(708,578)	(14,520)
Income tax (expense) benefit	22,202	(22,579)	21,838	(22,576)
Net income (loss)	$ (392,726)	$ 11,427	$ (686,740)	$ (37,096)
Net income (loss) per share, basic:	$ (3.14)	$ 0.11	$ (6.05)	$ (0.37)
Net income (loss) per share, diluted:	$ (3.14)	$ 0.10	$ (6.05)	$ (0.37)
Weighted average shares outstanding, basic:	125,263,133	102,620,749	113,467,837	99,337,587
Weighted average shares outstanding, diluted:	125,263,133	113,402,577	113,467,837	99,337,587
Other comprehensive income (loss)				
Foreign currency translation adjustments	-	(451)	-	(451)
Comprehensive income (loss)	$ (392,726)	$ 10,976	$ (686,740)	$ (37,547)

Supplemental Information:	Three Months Ended December 31,		Year Ended December 31,	
(in thousands unless otherwise indicated)	2022	2021 (restated)	2022	2021 (restated)
bitcoin production during the period (in bitcoin)	1,562	1,098	4,144	3,197
Total margin (revenues less total costs of revenues)	$ (15,146)	$ 46,249	$ (33,673)	$ 116,768
Total margin excluding depreciation and amortization	(1,319)	53,137	45,036	131,672
General and administrative expenses excluding stock-based compensation	(12,889)	(6,065)	(32,144)	(13,569)
Impairments due to vendor bankruptcy filing	(16,674)	-	(55,674)	-
Adjusted EBITDA (1)				
Net income (loss)	$ (392,726)	$ 11,427	$ (686,740)	$ (37,096)
Exclude: Interest expense	4,666	1,567	14,980	1,570
Exclude: Income tax expense (benefit)	(22,202)	22,579	(21,838)	22,576
EBIT	(410,262)	35,573	(693,598)	(12,950)
Exclude: Depreciation and Amortization	13,827	6,888	78,709	14,904

EBITDA	(396,435)	42,461	(614,889)	1,954
Adjustments for non-cash and non-recurring items:				
Stock compensation expense, net of withholding tax	5,720	8,451	24,595	160,786
Impairment of assets due to vendor bankruptcy filing	16,674	-	55,674	-
Impairment of patents	-	-	919	-
Adjusted EBITDA	$ (374,041)	$ 50,912	$ (533,701)	$ 162,740
Changes in carrying value of digital assets:				
Impairment of digital assets	$ (26,392)	$ (11,852)	$ (173,215)	$ (30,329)
Realized and unrealized gains (losses) on digital assets	-	940	(14,460)	557
Realized and unrealized gains (losses) on digital currencies held in fund	-	15,286	(85,017)	74,696
Total	$ (26,392)	$ 4,374	$ (272,692)	$ 44,924

(1) Non-GAAP Financial Measures

We provide investors with a reconciliation from GAAP net income to the non-GAAP measure known as Adjusted EBITDA as a component of this earnings release. For each period disclosed, 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, net of withholding taxes (ii) impairment of patents and (iii) impairment of assets due to a vendor bankruptcy filing. 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.

MARATHON DIGITAL HOLDINGS

Source: Marathon Digital Holdings, Inc.