August 8, 2023

Marathon Digital Holdings Reports Second Quarter 2023 Results

Fort Lauderdale, FL, Aug. 08, 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 quarter ended June 30, 2023.

Second Quarter 2023 Financial Results

The Company recorded a net loss of $21.3 million, or $0.13 per share, during the three months ended June 30, 2023, compared to a net loss of $212.6 million, or $1.94 per share, in the same period last year.

Revenues were $81.8 million for the quarter, significantly above second quarter 2022 revenues of $24.9 million, as a 314% increase in bitcoin production more than offset 14% lower average bitcoin prices during the current year period.

Gains on sale of bitcoin were $23.4 million in the quarter as the Company sold 63% of the bitcoin produced in the quarter to fund operating costs. Results also benefited from lower impairment in the carrying value of digital assets of $8.4 million, as bitcoin prices were generally rising during the current-year period. In addition, year-ago comparisons benefited from the absence of a $79.7 million loss on digital assets held in an investment fund and a $54.1 million gain on the sale of equipment in the prior year.

Adjusted EBITDA was $25.6 million in the current year period compared with a loss of $167.1 million in the prior year period. In addition to the gains and lower impairment noted above, total margin excluding depreciation and amortization improved to $26.5 million, up from $8.2 million in the year-ago period.

Second Quarter 2023 Production Highlights

	Year-over-Year Comparison			Quarter-on-Quarter Comparison		
Metric	**Q2-23**	**Q2-22**	**% Δ**	**Q2-23**	**Q1-23**	**% Δ**
BTC Produced	2,926	707	314 %	2,926	2,195	33 %
Avg. BTC Produced per Day	32.2	7.8	314 %	32.2	24.4	32 %
Operational/Energized Hash Rate (EH/s)[1]	17.7	0.7	2429 %	17.7	11.5	54 %
Avg Operational Hash Rate (EH/s)[1]	12.1	NA		12.1	6.9	75 %
Installed Hash Rate (EH/s)[1]	21.8	3.6	NA	21.8	15.4	42 %

Management Commentary

“After a strong start to the year, we accelerated our progress in the second quarter by significantly growing our hash rate and improving our efficiency,” said Fred Thiel, Marathon’s chairman and CEO. “In Q2, we grew our energized hash rate 54% from 11.5 to 17.7

exahashes. By growing our hash rate faster than the rest of the network and improving our uptime, we also increased our bitcoin production. We produced a record 2,926 bitcoin during the second quarter, representing approximately 3.3% of the Bitcoin network rewards available during the period.

“In addition to our operational progress, we also improved our financial position during the quarter. We exited the quarter with $113.7 million in unrestricted cash and cash equivalents and approximately 12,538 bitcoin, the market value of which was approximately $380 million on June 30. Although our cash position decreased by $11.2 million from Q1, we increased our unrestricted bitcoin holdings by 1,072 bitcoin, the market value of which was approximately $32.7 million at June 30.

“With the progress we reported in July plus additional installations in early August, our domestic installed hash rate has now reached our 23 exahash target. All miners are installed in Garden City, and our hosting provider has indicated that energization is imminent. Looking beyond 23 exahashes, our joint venture in Abu Dhabi is already hashing and producing bitcoin. We look forward to further growing our position as a leader in the Bitcoin mining space in the quarters ahead.”

Q2 2023 Earnings Webcast and Conference Call

Marathon Digital Holdings will hold a webcast and conference call today, August 8, at 4:30 p.m. Eastern time to discuss its financial results for the quarter ended June 30, 2023.

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.

Earnings Webcast and Conference Call Details
Date: Tuesday, August 8, 2023
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@mara.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, 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 August 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.

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MARATHON DIGITAL HOLDINGS, INC.
CONSOLDATED CONDENSED STATEMENTS OF OPERATIONS (unaudited)
(In thousands, except share and per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022 (restated)	2023	2022 (restated)
Revenues:	$ 81,759	$ 24,923	$ 132,891	$ 76,646
Costs and expenses:				
Cost of revenues:				
Energy, hosting and other costs	(55,222)	(16,686)	(88,599)	(29,208)
Depreciation and amortization	(37,275)	(24,710)	(55,008)	(38,587)
	(92,497)	(41,396)	(143,607)	(67,795)
Operating expenses:				
General and administrative expenses	(20,491)	(10,469)	(35,836)	(25,983)
Impairment of digital assets	(8,363)	(131,581)	(14,514)	(154,898)

Impairment of patents	-	-	-	(919)
Realized gains on digital assets and realized losses on loan receivable	23,354	(13,999)	40,969	(14,460)
Gain on sale of equipment, net of disposals	-	54,060	-	54,060
Realized and unrealized losses on digital assets held within investment fund	-	(79,689)	-	(85,017)
	(5,500)	(181,678)	(9,381)	(227,217)
Operating income (loss)	(16,238)	(198,151)	(20,097)	(218,366)
Other non-operating income (expense)	148	135	940	382
Loss on extinguishment of debt	-	-	(333)	-
Interest expense	(2,840)	(3,748)	(6,600)	(6,561)
Income (loss) before income taxes	(18,930)	(201,764)	(26,090)	(224,545)
Income tax (expense) benefit	(203)	(10,862)	(278)	(5,190)
Net income (loss)	$ (19,133)	$ (212,626)	$ (26,368)	$ (229,735)
Deemed dividend on Series A Preferred Stock	(2,121)	-	(2,121)	-
Net income (loss) attributable to common shareholders	$ (21,254)	$ (212,626)	$ (28,489)	$ (229,735)
Net income (loss) per share, basic:	$ (0.13)	$ (1.94)	$ (0.17)	$ (2.17)
Net income (loss) per share, diluted:	$ (0.13)	$ (1.94)	$ (0.17)	$ (2.17)
Weighted average shares outstanding, basic:	168,474,882	109,437,293	163,856,352	106,101,762
Weighted average shares outstanding, diluted:	168,474,882	109,437,293	163,856,352	106,101,762

Supplemental Information:	**Three months ended June 30,**		**Six months ended June 30,**	
(in thousands unless otherwise indicated)	**2023**	**2022 (restated)**	**2023**	**2022 (restated)**
Operating metrics:				
Bitcoin production during the period (in bitcoin)	2,926	707	5,121	1,966
Average bitcoin production per day	32.2	7.8	28.3	10.9
Total margin (revenues less total costs of revenues)	$ (10,738)	$ (16,473)	$ (10,716)	$ 8,851
Total margin excluding depreciation and amortization	26,537	8,237	44,292	47,438
General and administrative expenses excluding stock-based compensation	(16,040)	(4,293)	(27,440)	(10,532)
Installed Hash Rate (EH/s) at end of period (1)	21.8	3.6		
Energized Hash Rate (EH/s) at end of period (1)	17.7	0.7		
Adjusted EBITDA (1)				
Net income (loss)	$ (19,133)	$ (212,626)	$ (26,368)	$ (229,735)
Exclude: Interest expense	2,840	3,748	6,600	6,561
Exclude: Income tax expense (benefit)	203	10,862	278	5,190
EBIT	(16,090)	(198,016)	(19,490)	(217,984)
Exclude: Depreciation and Amortization	37,275	24,710	55,008	38,587
EBITDA	21,185	(173,306)	35,518	(179,397)
Adjustments for non-cash and non-recurring items:				
Stock compensation expense, net of withholding tax	4,451	6,176	8,396	15,451
Loss on extinguishment of debt	-	-	333	-
Impairment of patents	-	-	-	919
Adjusted EBITDA	$ 25,636	$ (167,130)	$ 44,247	$ (163,027)

(1) The Company defines Energized Hash Rate as the total hash rate that could theoretically be generated if all mining rigs that have been operational / energized are currently in operation and running at 100% of the manufacturers' specifications (includes mining servers that are offline for maintenance or similar reasons). The Company uses this metric as an indicator of progress in bringing rigs on-line. The Company defines Avg. Operational Hash Rate as the average hash rate that was actually generated during the period from all

operational miners. The Company uses this metric as an indicator of its operational progress. The Company defines Installed Hash Rate as the sum of Energized Hash Rate and hash rate that has been installed but is not yet operational (e.g. mining rigs that have been installed, but are not yet energized and in operation). The Company uses this metric as an indicator of progress in deploying mining rigs at its production sites. Hash rates are estimates based on the manufacturers' specifications. All figures are estimates and rounded.

The Company believes that these metrics are useful as an indicator of potential bitcoin production. However, these metrics cannot be tied directly to any production level expected to be actually achieved as (a) there may be delays in the energization of Installed Hash Rate (b) the Company cannot predict when installed and energized rigs may be offline for any reason, including curtailment or machine failure and (c) the Company cannot predict Global Hash Rate (and therefore the Company's share of the Global Hash Rate), which has significant impact on the Company's ability to generate bitcoin in any given period.

(2) Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, the Company also provides adjusted EBITDA and total margin excluding depreciation and amortization, which are non-GAAP measures. The Company provides investors with reconciliations from net loss to adjusted EBITDA and total margin to total margin excluding depreciation and amortization as components of Management's Discussion and Analysis. The Company defines adjusted EBITDA as (a) GAAP net income (loss) plus (b) adjustments to add back the impacts of (1) depreciation and amortization, (2) interest expense, (3) income tax expense (benefit) and (4) adjustments for non-cash and non-recurring items which currently include (i) stock compensation expense, (ii) impairments of patents and (iii) losses on extinguishment of debt. The Company defines total margin excluding depreciation and amortization as (a) GAAP total margin less (b) depreciation and amortization.

Adjusted EBITDA and total margin excluding depreciation and amortization are not financial measures of performance under GAAP and, as a result, these measures 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. These non-GAAP measures are not meant to be considered in isolation and should be read only in conjunction with our Interim Reports on Form 10-Q and our Annual Reports on Form 10-K as filed with the Securities and Exchange Commission. Management uses adjusted EBITDA, total margin excluding depreciation and amortization, and the supplemental information provided herein as a means of understanding, managing, and evaluating business performance and to help inform operating decision making. The Company relies primarily on our condensed consolidated financial statements to understand, manage, and evaluate our financial performance and use the non-GAAP financial measures only supplementally.

Source: Marathon Digital Holdings Inc.