August 13, 2021

Marathon Digital Holdings Reports Second Quarter 2021 Results

Revenues Increase 220% Q2 over Q1 2021 and 10,147% Year-over-Year to $29.3 Million with Non-GAAP Income from Operations of $20.1 Million

LAS VEGAS, Aug. 13, 2021 (GLOBE NEWSWIRE) -- **Marathon Digital Holdings, Inc. (NASDAQ:MARA) ("Marathon" or "Company")**, one of the largest enterprise Bitcoin self-mining companies in North America, reported financial results for the second quarter ended June 30, 2021.

Second Quarter and Recent Financial Highlights

- Increased total revenue to $29.3 million, a 220% increase from $9.2 million in the first quarter of 2021 and a 10,147% increase year-over-year from $286,000 in the second quarter of 2020
- Produced 654 newly minted bitcoins in the second quarter of 2021; as of June 30, 2021, produced 846 newly minted bitcoins in 2021
- Marathon's investment fund, which purchased 4,812.66 BTC for approximately $150 million in January 2021, increased in fair value by $16.9 million during the first six months of 2021
- Non-GAAP income from operations*, which excludes the impact of depreciation and amortization of fixed assets, impairment losses on mined cryptocurrency, server maintenance contract amortization, and stock compensation expense, was $20.1 million, or $0.21 per diluted share
- As of June 30, 2021, cash and cash equivalents was $170.6 million and total liquidity, defined as cash and bitcoin holdings, was approximately $366.5 million

* Non-GAAP income from operations does not include the change in fair value of the Company's investment fund, which purchased 4,812.66 BTC for approximately $150 million in January 2021.

Second Quarter and Recent Bitcoin Mining Highlights

- Increased the number of total miners deployed to 19,395 miners, which could generate approximately 2.09 EH/s as of June 30, 2021
- As of June 30, 2021, held approximately 5,784 bitcoins, each of which had a market price of approximately $34,856; as a result, the approximate fair market value of Marathon's bitcoins held as digital currencies was approximately $201.6 million

Second Quarter and Recent Corporate Highlights

- Strengthened management team by appointing Fred Thiel to chief executive officer as

Merrick Okamoto remained executive chairman of the board of directors
- Announced binding letter of intent with Compute North to host approximately 73,000 of the Company's previously purchased Bitcoin miners as part of a new 300-megawatt data center
- Appointed Georges Antoun and Jay Leupp to the board of directors, improving Marathon's environmental protection and "green energy," as well as public accounting and investment banking, expertise
- On May 31, 2021, announced that the Company's bitcoin mining pool, MaraPool, was adopting and implementing Bitcoin Core version 0.21.1
- Effective June 28, 2021, Marathon's stock added to the Russell 2000® Index
- Subsequent to the quarter's end, announced the purchase of an additional 30,000 S19j Pro miners from Bitmain, which is expected to increase Marathon's mining operations to approximately 133,000 miners producing approximately 13.3 EH/s once all miners are deployed
- Further enhanced the Company's board of directors with the appointments of Sarita James and Said Ouissal in August 2021

Management Commentary
"In the second quarter of 2021, we continued to effectively scale our operations by increasing our hash rate 196% sequentially from 0.7 EH/s at the end of the first quarter to approximately 2.09 EH/s by the end of June," said Fred Thiel, Marathon's CEO. "As a result, we produced 654 bitcoins in the second quarter. Those figures are continuing to improve in the third quarter as we produced 442.2 bitcoins in the month of July alone, despite our miners being offline for five days to accommodate scheduled maintenance and an annual inspection of our facilities. As of August 12, we have now produced approximately 1,441 bitcoins year-to-date, and our total amount of bitcoins held has increased to 6,378.

"During the quarter and subsequent to its end, we also enhanced our leadership team, we announced a new agreement with Compute North that sets a path for our mining operations to be 70% carbon neutral by early next year without any capital expenditure, our mining pool signaled for Taproot, and we purchased an additional 30,000 miners from Bitmain. With shipment schedules of our previously purchased miners scheduled to accelerate in the second half of this year, and our mining operations expected to generate 13.3 EH/s in 2022 once fully deployed, we believe we are well positioned to continue the positive trends established in the first half of 2021."

Marathon's CFO, Sim Salzman, commented, "When comparing Q2 2021 to Q1 2021, we grew our revenues by 220% to $29.3 million while generating non-GAAP operating income of $20.1 million. We exited the quarter with $170.6 million in cash and with a total liquidity, defined as cash and bitcoin holdings, of approximately $366.5 million. Given the number of non-cash items that impact our financial results, including but not limited to depreciation expense and impairments on our mined bitcoin holdings, we have introduced non-GAAP operating income. This metric portrays an operational equivalent to our formerly reported metric, adjusted EBITDA, and we believe it will help investors more objectively track our financial progress. Bitcoin's future price and the network difficulty rate are subject to change. However, we maintain our belief that Marathon's financial performance will continue to improve as more miners come online, increasing our probability of earning bitcoin."

Second Quarter 2021 Financial Results

Total revenue increased to $29.3 million, a 220% increase from $9.2 million in the first quarter of 2021 and a 10,147% increase year-over-year from $286,000 in the second quarter of 2020.

Income from operations improved to $4.6 million in the second quarter of 2021 from a loss from operations of $47.1 million in the first quarter of 2021 and a loss from operations of $1.8 million in the second quarter of 2020. In the second quarter of 2021, operating expenses included $15.4 million of non-cash items, including $876,000 in non-cash compensation and an $11.1 million impairment of cryptocurrencies.

Non-GAAP income from operations was $20.1 million, or $0.21 per diluted share, compared to $8.3 million, or $0.10 per diluted share, in the first quarter of 2021 and a loss of $1.3 million, or ($0.08) per diluted share, in the second quarter of 2020. Non-GAAP income from operations excludes the impact of non-cash items, such as depreciation and amortization of fixed assets, impairment losses on mined cryptocurrency, server maintenance contract amortization, and stock compensation expense. Additionally, this metric does not include the change in fair value of the Company's investment fund, which purchased 4,812.66 BTC for approximately $150 million in January 2021.

The Company's investment fund increased in fair value by $16.9 million during the first six months of 2021. During the second quarter of 2021, due to the price of Bitcoin decreasing from $58,725 at March 31, 2021 to $34,856 at June 30, 2021, the Company's investment fund incurred a decrease in fair market value of approximately $114.9 million.

Net loss in the second quarter of 2021 totaled $108.9 million, or ($1.09) per diluted share, compared to net income of $83.4 million, or $0.87 per diluted share, in the first quarter of 2021 and net loss of $2.2 million, or ($0.13) per diluted share, in the second quarter of 2020. In the first two quarters of 2021, Marathon's net income was materially impacted by changes in the fair market value of the Company's investment fund discussed above.

In the second quarter of 2021, the Company generated 654 bitcoins. The Company last sold bitcoin on October 21, 2020, and since then, has been accumulating or "hodling" all bitcoin generated. The Company supports the blockchain development by sponsoring one of the developers in the form of a monthly grant paid using its mined bitcoin. As of June 30, 2021, the Company held approximately 5,784 bitcoins, including the 4,813 bitcoins the Company purchased for an average price of $31,168 by investing $150 million into a fund-of-one.

Marathon's Digital Assets

For the second quarter ended June 30, 2021, the carrying value of Marathon's mined digital assets (comprised solely of bitcoin) was $29.0 million, which reflects cumulative impairment charges of $11.7 million year-to-date. Marathon accounts for its digital assets as indefinite-lived intangible assets, which are initially recorded at cost. Subsequently, they are measured at cost, net of any impairment losses incurred since acquisition. Marathon determines the fair value of its bitcoin based on quoted (unadjusted) prices on the active exchange that Marathon has determined is its principal market for bitcoin. Marathon considers the lowest price of one bitcoin quoted on the active exchange at any time since acquiring the specific bitcoin. If the carrying value of a bitcoin exceeds that lowest price, an impairment loss has occurred with respect to that bitcoin in the amount equal to the difference between its carrying value and such lowest price. Impairment losses are recognized as "impairment of mined cryptocurrency" in Marathon's Consolidated Condensed Statement of Operations.

As of June 30, 2021, the average cost and average carrying value of Marathon's mined bitcoins were approximately $41,935 and $29,844, respectively. As of August 12, 2021, Marathon held approximately 6,378 bitcoins, of which 4,813 are held in an investment fund of one while the other 1,565 were generated by the Company's operations. The market price of one bitcoin in the principal market on August 12, 2021 was approximately $44,298, and the approximate fair market value of the bitcoins the Company has invested in and held as digital currencies was therefore over $282.5 million (*unaudited).

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, 2020. 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 2021. See "Safe Harbor" 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 cryptocurrencies with a focus on the blockchain ecosystem and the generation of digital assets.

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MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

	June 30, 2021 (Unaudited)	December 31, 2020 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 170,615,847	$ 141,322,776
Digital currencies	28,966,404	2,271,656
Other receivable	-	74,767,226
Deposit	121,582,865	65,647,592
Investment fund	166,915,071	-
Prepaid expenses and other current assets	3,570,683	2,399,965
Total current assets	491,650,870	286,409,215
Other assets:		
Property and equipment, net of accumulated depreciation and impairment charges of $10,120,373 and $6,480,359 for June 30, 2021 and December 31, 2020, respectively	80,151,147	17,224,321
Prepaid service contract	11,095,026	8,415,000
Right-of-use assets	-	200,301
Intangible assets, net of accumulated amortization of $243,187 and $207,598 for June 30, 2021 and December 31, 2020, respectively	966,813	1,002,402
Total other assets	92,212,986	26,842,024
TOTAL ASSETS	**$ 583,863,856**	**$ 313,251,239**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,626,242	$ 999,742
Current portion of lease liability	-	121,596
Warrant liability	718,329	322,437
Total current liabilities	3,344,571	1,443,775
Long-term liabilities		
SBA PPP loan payable	-	62,500
Total long-term liabilities	-	62,500
Total liabilities	3,344,571	1,506,275
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, 0.0001 par value, 50,000,000 shares authorized, no shares issued and outstanding at December 31, 2020 and December 31, 2019, respectively	-	-
Common stock, 0.0001 par value; 200,000,000 shares authorized; 99,634,123 and 81,974,619 issued and outstanding at June 30, 2021 and December 31, 2020, respectively	9,963	8,197
Additional paid-in capital	722,543,196	428,242,763
Accumulated other comprehensive loss	(450,719)	(450,719)
Accumulated deficit	(141,583,155)	(116,055,277)
Total stockholders' equity	580,519,285	311,744,964
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 583,863,856**	**$ 313,251,239**

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues				
Cryptocurrency mining revenue	$ 29,321,857	$ 286,161	$ 38,474,672	$ 878,648
Total revenues	29,321,857	286,161	38,474,672	878,648
Operating costs and expenses				
Cost of revenue	6,993,834	740,483	9,400,249	1,893,724
Compensation and related taxes	4,082,767	1,060,480	56,488,554	1,294,137
Consulting fees	105,355	24,313	218,960	66,125
Professional fees	2,160,775	162,552	2,473,807	309,194
General and administrative	278,860	89,566	586,050	198,503
Impairment of mined cryptocurrency	11,078,660	-	11,740,859	-
Total operating expenses	24,700,251	2,077,394	80,908,479	3,761,683
Income (loss) from operations	4,621,606	(1,791,233)	(42,433,807)	(2,883,035)
Other income (expenses)				
Other income	64,484	-	63,014	106,408
Loss on conversion of note	-	(364,832)	-	(364,832)
Change in fair value of investment in NYDIG fund	(114,907,879)	-	16,915,071	-
Realized gain (loss) on sale of digital currencies	989	8,482	935	4,260
Change in fair value of warrant liability	1,196,004	(6,563)	(395,892)	3,224
Change in fair value of mining payable	-	-	-	(66,547)
Interest income	141,379	499	325,207	2,379
Interest expense	(1,203)	(7,549)	(2,406)	(20,984)
Total other (expenses) income	(113,506,226)	(369,963)	16,905,929	(336,092)
Income (loss) before income taxes	$ (108,884,620)	$ (2,161,196)	$ (25,527,878)	$ (3,219,127)
Income tax expense	-	-	-	-
Net loss	$ (108,884,620)	$ (2,161,196)	$ (25,527,878)	$ (3,219,127)
Net loss per share, basic and diluted:	$ (1.09)	$ (0.13)	$ (0.26)	$ (0.26)
Weighted average shares outstanding, basic and diluted:	99,466,946	16,291,610	96,922,964	12,473,568

Marathon Digital Holdings, Inc. and Subsidiaries
Reconciliation of GAAP and Non-GAAP Financial Information

The following is a reconciliation of non-GAAP income from operations, which excludes the impact of (i) depreciation and amortization of fixed assets (ii) impairment losses on mined cryptocurrency (iii) server maintenance contract amortization and (iv) stock compensation expense, to its most directly comparable GAAP measures for the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Reconciliation of non-GAAP income from operations:				
Income (loss) from Operations	$ 4,621,606	$(1,791,233)	$(42,433,807)	$(2,883,035)
Depreciation and Amortization of Fixed Assets	2,919,872	499,489	3,640,014	1,010,270
Impairment of mined cryptocurrency	11,078,660	-	11,740,859	-
Server maintenance contract amortization	561,000	-	1,122,000	-
Stock Compensation Expense	875,972	23,238	51,907,115	671,987
Non-GAAP income (loss) from operations	$20,057,110	$(1,268,506)	$ 25,976,181	$(1,200,778)

The above table does not incorporate any other income (expenses) including but not limited to the change in fair value of the Company's investment fund, which purchased 4,812.66

BTC for approximately $150 million in January 2021.



Source: Marathon Digital Holdings, Inc.