November 10, 2021

Marathon Digital Holdings Reports Third Quarter 2021 Results

Revenues Increase 76% Q3 over Q2 2021 and 6,091% Year-over-Year to $51.7 Million with Non-GAAP Income from Operations of $43.5 Million, or $0.43 per Diluted Share

LAS VEGAS, Nov. 10, 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 third quarter ended September 30, 2021.

Third Quarter and Recent Financial Highlights

- Increased total revenue to $51.7 million, a 76% increase from $29.3 million in the second quarter of 2021 and a 6,091% increase year-over-year from $835,000 in the third quarter of 2020
- Produced 1,252 self-mined bitcoins in the third quarter of 2021, a 91% increase from 654 bitcoins in the second quarter of 2021; as of September 30, 2021, produced 2,098 self-mined 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 $58.8 million during the first nine months of 2021
- Non-GAAP income from operations* was $43.5 million, or $0.43 per diluted share
- Non-GAAP net income** was $85.4 million, or $0.85 per diluted share
- As of September 30, 2021, cash and cash equivalents was $32.9 million and total liquidity, defined as cash and bitcoin holdings, was approximately $315.6 million
- In October, obtained a $100 million revolving line of credit, secured by bitcoin and USD, with Silvergate Bank

* Non-GAAP income from operations excludes the impact of depreciation and amortization of fixed assets, impairment losses on mined cryptocurrency, server maintenance contract amortization, and stock compensation expense. 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.

** Non-GAAP net income excludes the impact of depreciation and amortization of fixed assets, impairment losses on mined cryptocurrency, server maintenance contract amortization, and stock compensation expense. This metric includes the change in fair value of the Company's investment fund, which purchased 4,812.66 BTC for approximately $150 million in January 2021.

Third Quarter and Recent Bitcoin Mining Highlights

- Increased the number of total miners deployed to 25,272 miners, which could generate approximately 2.7 EH/s as of September 30, 2021
- As of September 30, 2021, held approximately 7,035 bitcoins, each of which had a market price of approximately $43,718; as a result, the approximate fair market value of Marathon's bitcoins held as digital currencies was approximately $307.6 million

Third Quarter and Recent Corporate Highlights

- Purchased 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
- Enhanced the Company's board of directors with the appointments of Sarita James and Said Ouissal in August 2021
- Began onboarding bitcoin miners, including DMG Blockchain, toMaraPool, Marathon's bitcoin mining pool, which provides its members with industry leading transparency, an intuitive reporting system, and access to exclusive services from NYDIG
- In October, added Sam Doctor, chief strategy officer at BitOoda, to the Company's advisory board
- In October, began chartering planes to mitigate the impact of global logistics issues and to ensure that shipments of new miners occur in a timely manner
- In November, appointed Adam Swick to VP of Strategy to help grow the Company through business strategy, strategic partnerships, M&A activity, and other means

Management Commentary

"In the third quarter, we increased our hash rate to 2.7 EH/s and generated 1,252 self-mined bitcoins, which is a 91% increase from our second quarter bitcoin production," said Fred Thiel, Marathon's CEO. "As a result, we held approximately 7,035 BTC at the end of the third quarter, and we are continuing to grow these holdings each month as we increase our hash rate and maintain our strategy to 'hodl' the bitcoin we mine. Beyond our bitcoin production, the quarter was highlighted by enhancements to our leadership team, the purchase of new miners from Bitmain, and the first bitcoin miner other than Marathon being added to MaraPool. While global logistics issues are currently impacting every industry, we recently began chartering planes to mitigate these issues and expedite the delivery of our miners. With the remainder of the 130,000 machines we previously purchased expected to come online between now and mid 2022, we believe the coming quarters will be transformative for Marathon, and we look forward to continuing to scale our operations."

Marathon's CFO, Sim Salzman, commented, "With our increased hash rate and bitcoin's price appreciating , we grew our revenues 76% quarter-over-quarter from $29.3 million in the second quarter of 2021 to $51.7 million in the third quarter of 2021. This growth coupled with our efficient operations allowed us to generate non-GAAP income from operations of $43.5 million, or $0.43 per diluted share. Additionally, our non-GAAP net income, which excludes non-cash items and includes the change in fair value of our investment fund, was $85.4 million, or $0.85 per diluted share, as the increase in bitcoin's price drove our investment fund to appreciate as well. We exited the quarter with $32.9 million in cash and with total liquidity of approximately $315.6 million. Subsequent to the quarter's end, we obtained a $100 million line of credit, secured by our bitcoin holdings and USD, which further strengthened our liquidity position. Given our track record and growth trajectory, we maintain our position that Marathon's financial performance will continue to improve as we focus on

efficiently increasing our hash rate."

Third Quarter 2021 Financial Results
Total revenue increased to $51.7 million, a 76% increase from $29.3 million in the second quarter of 2021 and a 6,091% increase year-over-year from $835,000 in the third quarter of 2020.

Loss from operations was $64.3 million in the third quarter of 2021 compared to income from operations of $4.6 million in the second quarter of 2021 and a loss from operations of $2.0 million in the third quarter of 2020. In the third quarter of 2021, operating expenses included $107.6 million of non-cash items, including $95.7 million in non-cash stock based compensation and a $6.7 million impairment of cryptocurrencies.

Non-GAAP income from operations was $43.5 million, or $0.43 per diluted share, compared to $20.1 million, or $0.21 per diluted share, in the second quarter of 2021 and a loss of $795,000, or ($0.03) per diluted share, in the third 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 $58.8 million during the first nine months of 2021. During the third quarter of 2021, due to the price of bitcoin increasing from $34,856 at June 30, 2021 to $43,718 at September 30, 2021, the Company's investment fund incurred an increase in fair market value of approximately $41.9 million.

Net loss in the third quarter of 2021 totaled $22.2 million, or ($0.22) per diluted share, compared to net loss of $108.9 million, or ($1.09) per diluted share, in the second quarter of 2021 and net loss of $2.0 million, or ($0.06) per diluted share, in the third quarter of 2020. In the first three 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, as well as non-cash stock based compensation expense.

Non-GAAP net income in the third quarter of 2021 totaled $85.4 million, or $0.85 per diluted share, compared to non-GAAP net loss of $94.6 million, or ($0.93) per diluted share, in the second quarter of 2021 and non-GAAP net loss of $773,000, or ($0.02) per diluted share, in the third quarter of 2020. Non-GAAP net income 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. This metric includes the change in fair value of the Company's investment fund, which purchased 4,812.66 BTC for approximately $150 million in January 2021.

In the third quarter of 2021, the Company generated 1,252 bitcoins. The Company last sold bitcoin on October 21, 2020, and since then, has been accumulating or "hodling" all bitcoin generated. As of September 30, 2021, the Company held approximately 7,035 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 third quarter ended September 30, 2021, the carrying value of Marathon's mined digital assets (comprised solely of bitcoin) was $73.9 million, which reflects cumulative impairment charges of $18.5 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 September 30, 2021, the average cost and average carrying value of Marathon's mined bitcoins were approximately $41,570 and $33,260, respectively. As of November 9, 2021, Marathon held approximately 7,536 bitcoins, of which 4,813 are held in an investment fund of one while the other 2,723 were generated by the Company's operations. The market price of one bitcoin in the principal market on November 9, 2021 was approximately $67,000, and the approximate fair market value of the bitcoins the Company has invested in and held as digital currencies was therefore over $504.9 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 November 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

	September 30, 2021 (Unaudited)	December 31, 2020 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,854,092	$ 141,322,776
Digital currencies	64,357,910	2,271,656
Digital currencies, restricted	9,573,684	-
Other receivable	-	74,767,226
Deposit	203,258,440	65,647,592
Investment fund	208,765,274	-
Prepaid expenses and other current assets	35,750,562	2,399,965
Total current assets	554,559,962	286,409,215
Other assets:		
Property and equipment, net of accumulated depreciation and impairment charges of $14,442,777 and $6,480,359 for September 30, 2021 and December 31, 2020, respectively	93,932,227	17,224,321
Prepaid service contract	14,899,389	8,415,000
Right-of-use assets	-	200,301
Intangible assets, net of accumulated amortization of $260,980 and $207,598 for September 30, 2021 and December 31, 2020, respectively	949,020	1,002,402
Total other assets	109,780,636	26,842,024
TOTAL ASSETS	**$ 664,340,598**	**$ 313,251,239**
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,374,507	$ 999,742
Current portion of lease liability	-	121,596
Warrant liability	549,663	322,437
Total current liabilities	3,924,170	1,443,775
Long-term liabilities		
SBA PPP loan payable	-	62,500
Total long-term liabilities	-	62,500
Total liabilities	3,924,170	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 September 30, 2021 and December 31, 2020, respectively	-	-
Common stock, 0.0001 par value; 200,000,000 shares authorized; 102,506,558 and 81,974,619 issued and outstanding at September 30, 2021 and December 31, 2020, respectively	10,251	8,197
Additional paid-in capital	824,612,618	428,242,763
Accumulated other comprehensive loss	(450,719)	(450,719)
Accumulated deficit	(163,755,722)	(116,055,277)
Total stockholders' equity	660,416,428	311,744,964
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 664,340,598**	**$ 313,251,239**

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Revenues				
Cryptocurrency mining revenue	$ 51,707,483	$ 835,184	$ 90,182,155	$ 1,713,832
Total revenues	51,707,483	835,184	90,182,155	1,713,832
Operating costs and expenses				
Cost of revenue	10,263,009	1,636,046	19,663,258	3,529,770
Compensation and related taxes	97,181,544	614,604	153,670,098	1,908,741
Consulting fees	159,300	259,563	378,260	325,688
Professional fees	857,921	206,368	3,331,728	515,562
General and administrative	797,574	112,800	1,383,110	311,303
Impairment of mined cryptocurrency	6,731,890	-	18,472,750	-
Total operating expenses	115,991,238	2,829,381	196,899,204	6,591,064
Income (loss) from operations	(64,283,755)	(1,994,197)	(106,717,049)	(4,877,232)
Other income (expenses)				
Other income	-	7,983	62,500	114,391
Loss on conversion of note	-	-	-	(364,832)
Change in fair value of investment in NYDIG fund	41,850,203	-	58,765,274	-
Realized gain (loss) on sale of digital currencies	8,152	11,206	9,088	15,466
Change in fair value of warrant liability	168,666	(21,875)	(227,225)	(18,651)
Change in fair value of mining payable	-	-	-	(66,547)
Interest income	84,454	2,466	409,661	4,845
Interest expense	(287)	-	(2,694)	(20,984)
Total other (expenses) income	42,111,188	(220)	59,016,604	(336,312)
Loss before income taxes	$ (22,172,567)	$ (1,994,417)	$ (47,700,445)	$ (5,213,544)
Income tax expense	-	-	-	-
Net loss	$ (22,172,567)	$ (1,994,417)	$ (47,700,445)	$ (5,213,544)
Net loss per share, basic and diluted:	$ (0.22)	$ (0.06)	$ (0.49)	$ (0.28)
Weighted average shares outstanding, basic and diluted:	100,803,809	31,520,736	98,230,795	18,868,967

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 September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Reconciliation of non-GAAP income from operations:				
Operating loss	$ (64,283,755)	$ (1,994,197)	$ (106,717,049)	$ (4,877,232)
Depreciation and Amortization of Fixed Assets	4,340,198	805,483	8,015,801	1,851,341
Impairment of mined cryptocurrency	6,731,890	-	18,472,750	-
Server maintenance contract amortization	949,280	-	2,071,280	-
Stock Compensation Expense	95,739,709	393,970	147,646,821	948,768
Non-GAAP income (loss) from operations	$ 43,477,322	$ (794,744)	$ 69,489,603	$ (2,077,123)

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.

The following are reconciliations of our non-GAAP net income and non-GAAP diluted earnings per share, in each case excluding the impact of (i) depreciation and amortization of fixed assets (ii) impairment losses on mined cryptocurrency (iii) change in fair value of warrant liability (iv) server maintenance contract amortization and (v) stock compensation expense, to its most directly comparable GAAP measures for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Reconciliation of non-GAAP net income:				
Net loss	$ (22,172,567)	$ (1,994,417)	$ (47,700,445)	$ (5,213,544)
Non-cash adjustments to Net Income (loss)				
Depreciation and Amortization of Fixed Assets	4,340,198	805,483	8,015,801	1,851,341
Impairment of mined cryptocurrency	6,731,890	-	18,472,750	-
Change in fair value of warrant liability	(168,666)	21,875	227,225	18,651
Server maintenance contract amortization	949,280	-	2,071,280	-
Stock Compensation Expense	95,739,709	393,970	147,646,821	948,768
Total Non-cash adjustments to Net Income (Loss)	$ 107,592,411	$ 1,221,328	$ 176,433,877	$ 2,818,760
Non-GAAP net (loss) income	$ 85,419,844	$ (773,089)	$ 128,733,432	$ (2,394,784)
Reconciliation of non-GAAP diluted earnings (loss) per share:				
Diluted (loss) earnings per share	$ (0.22)	$ (0.06)	$ (0.49)	$ (0.28)
Depreciation and Amortization of Fixed Assets (per diluted share)	0.04	0.03	0.08	0.10
Impairment of mined cryptocurrency (per diluted share)	0.07	-	0.19	-
Change in fair value of warrant liability (per diluted share)	-	-	-	-
Server maintenance contract amortization (per diluted share)	0.01	-	0.02	-
Stock Compensation Expense (per diluted share)	0.95	0.01	1.50	0.05
Non-GAAP diluted earnings (loss) per share	$ 0.85	$ (0.02)	$ 1.30	$ (0.13)



Source: Marathon Digital Holdings, Inc.