November 8, 2022

# Marathon Digital Holdings Reports Third Quarter 2022 Results

LAS VEGAS, Nov. 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 September 30, 2022.

**Third Quarter 2022 Financial Results**
The Company recorded a net loss of $(75.4) million, or $(0.65) per share, during the quarter compared with a net loss of $(22.2) million, or $(0.22) per share, in the prior-year period.

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

- A total margin decline of $(68.8) million resulting from:
  - Lower revenues from decreased production and bitcoin prices, totaling $(39.0) million
  - Increases in cost of revenues due to accelerated cost recognition from Hardin exit, totaling $(20.8) million
  - Other cost of revenue increases, net, totaling $(9.0) million
- A decrease in the carrying value of digital currencies of $(5.9) million compared to an increase of $35.4 million in the prior year period; a net change of $(41.3) million
- An impairment charge related to the previously announced Compute North bankruptcy filing of $(39.0) million
- The previously announced legal settlement reserve $(25.0) million
- Higher interest expense of $(3.8) million

These unfavorable variances were partially offset by:

- A decline in general and administrative expenses primarily associated with lower stock compensation costs: $86.9 million
- Gain on sales of assets related to the previously announced development of King Mountain (McCamey, TX) and the sale of assets upon exiting Hardin, MT: $31.9 million
- An income tax benefit of $5.7 million

The Company produced 616 bitcoin in Q3 2022, a 51% decrease from 1,252 bitcoin in the third quarter of 2021 and a 13% sequential decrease from 707 bitcoin in the prior quarter. The lower production resulted from the previously announced exit from the Company's facility in Hardin, MT and delays in the initial energization of the King Mountain facility in McCamey, TX. As the Company began scaling operations at new facilities, bitcoin production improved throughout the quarter. Year-to-date through September 30, 2022, the Company produced 2,582 bitcoin, a 23% increase over the same time period in the prior

year. Year-to-date through October 31, 2022, the Company produced 3,197 bitcoin, a 27% increase over the same time period in the prior year.

As of September 30, the Company's operating mining fleet consisted of approximately 37,000 active miners, producing approximately 3.8 EH/s. As of November 1, the Company's operating mining fleet consisted of approximately 69,000 active miners, producing approximately 7.0 EH/s.

**Management Commentary**
"The third quarter of 2022 was a transition and rebuilding period at Marathon, during which we fully exited the Hardin facility in Montana and began energizing servers at new locations, most notably the 280-megawatt data center that resides behind the meter at the King Mountain wind farm in McCamey, Texas," said Fred Thiel, Marathon's chairman and CEO. "We sequentially improved our bitcoin production each month during the quarter as we rebuilt our hash rate from approximately 0.7 exahashes per second in early July to 3.8 exahashes per second by September 30. This progress continued subsequent to the quarter's end as we increased our hash rate an additional 84% to approximately 7 exahashes per second by November 1. We also realized our highest production month to date in October when we produced 615 bitcoin, nearly equal to our entire production during the third quarter.

"We believe Marathon has a strong foundation on which we can continue to build our hash rate. Our near-term goal is to reach approximately 9.0 exahashes per second by the end of the year, and we continue to target 23 exahashes per second near the middle of 2023 as we strive to establish our position as a leader in supporting and securing the bitcoin ecosystem."

**Q3 2022 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 its financial results for the quarter ended September 30, 2022.

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.

Date: Today, November 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@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, 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 September 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 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, while remaining asset light.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | $ 12,690,452 | $ 51,707,483 | $ 89,329,986 | $ 90,182,155 |
| Costs and expenses: | | | | |
| Cost of revenues: | | | | |
| Energy, hosting and other costs | (13,772,555 ) | (5,922,811 ) | (42,974,265 ) | (11,647,457 ) |
| Depreciation and amortization | (26,294,842 ) | (4,340,198 ) | (64,881,323 ) | (8,015,801 ) |
| | (40,067,397 ) | (10,263,009 ) | (107,855,588 ) | (19,663,258 ) |
| Operating expenses: | | | | |
| General and administrative expenses | (12,352,008 ) | (99,235,984 ) | (39,187,098 ) | (159,411,404 ) |
| Legal reserve | (24,960,000 ) | - | (24,960,000 ) | - |
| Impairment of deposits due to vendor bankruptcy filing | (7,987,147 ) | - | (7,987,147 ) | - |
| Impairment of digital currencies | (5,903,891 ) | (6,731,890 ) | (153,045,376 ) | (18,472,750 ) |
| Impairment of patents | - | - | (919,363 ) | - |

| | | | | |
|---|---|---|---|---|
| Realized and unrealized gains (losses) on digital currencies held in fund | - | 42,086,907 | (85,016,208 ) | 59,410,028 |
| Gain on sales of equipment, net | 31,934,307 | - | 90,115,824 | - |
| | (19,268,739 ) | (63,880,967 ) | (220,999,368 ) | (118,474,126 ) |
| Operating loss | (46,645,684 ) | (22,436,493 ) | (239,524,970 ) | (47,955,229 ) |
| Impairment of loan and investment due to vendor bankruptcy filing | (31,012,853 ) | - | (31,012,853 ) | - |
| Other non-operating income | 238,159 | 261,273 | 632,132 | 254,024 |
| Interest expense | (3,752,301 ) | (287 ) | (10,314,659 ) | (2,694 ) |
| Loss before income taxes | (81,172,679 ) | (22,175,507 ) | (280,220,350 ) | (47,703,899 ) |
| Income tax benefit | 5,750,272 | 2,940 | 192,712 | 3,454 |
| Net loss | $ (75,422,407 ) | $ (22,172,567 ) | $ (280,027,638 ) | $ (47,700,445 ) |
| | | | | |
| Net loss per share, basic: | $ (0.65 ) | $ (0.22 ) | $ (2.56 ) | $ (0.49 ) |
| Net loss per share, diluted: | $ (0.65 ) | $ (0.22 ) | $ (2.56 ) | $ (0.49 ) |
| Weighted average shares outstanding, basic: | 116,533,816 | 100,803,809 | 109,492,865 | 98,230,795 |
| Weighted average shares outstanding, diluted: | 116,533,816 | 100,803,809 | 109,492,865 | 98,230,795 |

| **Supplemental Information:** | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Total margin (revenues less total cost of revenues) | $ (27,376,945 ) | $ 41,444,474 | $ (18,525,602 ) | $ 70,518,897 |
| Total margin excluding depreciation and amortization | $ (1,082,103 ) | $ 45,784,672 | $ 46,355,721 | $ 78,534,698 |
| Bitcoin ("BTC") production during the period, in BTC | 616 | 1,252 | 2,582 | 2,099 |
| Revenues per BTC produced | $ 20,601 | $ 41,300 | $ 34,597 | $ 42,964 |
| **Adjusted EBITDA (1)** | | | | |
| Net loss | $ (75,422,407 ) | $ (22,172,567 ) | $ (280,027,638 ) | $ (47,700,445 ) |
| Exclude: Interest expense | 3,752,301 | 287 | 10,314,659 | 2,694 |
| Exclude: Income tax benefit | (5,750,272 ) | (2,940 ) | (192,712 ) | (3,454 ) |
| **EBIT** | (77,420,378 ) | (22,175,220 ) | (269,905,691 ) | (47,701,205 ) |
| Exclude: Depreciation and Amortization | 26,294,842 | 4,340,198 | 64,881,323 | 8,015,801 |
| **EBITDA** | (51,125,536 ) | (17,835,022 ) | (205,024,368 ) | (39,685,404 ) |
| Adjustments for non-cash and non-recurring items: | | | | |
| Stock compensation expense, net of witholding tax | 3,423,324 | 96,617,325 | 18,874,798 | 152,334,886 |
| Impairment of assets due to vendor bankruptcy filing | 39,000,000 | - | 39,000,000 | - |
| Impairment of patents | - | - | 919,363 | - |
| **Adjusted EBITDA** | $ (8,702,212 ) | $ 78,782,303 | $ (146,230,207 ) | $ 112,649,482 |
| | | | | |
| **Changes in carrying value of digital assets:** | | | | |
| Realized and unrealized gains (losses) on digital currencies held in fund | $ - | $ 42,086,907 | $ (85,016,208 ) | $ 59,410,028 |
| Impairment of digital currencies | (5,903,891 ) | (6,731,890 ) | (153,045,376 ) | (18,472,750 ) |
| | $ (5,903,891 ) | $ 35,355,017 | $ (238,061,584 ) | $ 40,937,278 |

| | **As of September 30,** | |
|---|---|---|
| **BTC held at end of period:** | **2022** | **2021** |
| Total BTC held | 10,670 | 7,035 |
| BTC utilized as collateral for borrowings | 3,828 | - |
| Market value of 1 BTC (in USD) | $ 19,432 | $ 43,791 |
| FMV of BTC held | $ 207,339,440 | $ 308,069,685 |
| Carrying value of all BTC held | $ 197,161,440 | $ 282,696,868 |

## (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.

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Source: Marathon Digital Holdings, Inc.