May 10, 2023

Marathon Digital Holdings Reports First Quarter 2023 Results

FORT LAUDERDALE, Fla., May 10, 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 first quarter ended March 31, 2023.

First Quarter 2023 Financial Results

The Company recorded a net loss of $(7.2) million, or $(0.05) per share, during the fiscal quarter ended March 31, 2023, compared to a net loss of $(12.9) million, or $(0.12) per share, in the prior-year period ended March 31, 2022.

Revenues were $51.1 million for the quarter, slightly below prior year revenues of $51.7 million, as a 74% increase in bitcoin production was more than offset by lower bitcoin prices in the current year period.

The company recorded gains on the sale of bitcoin of $17.6 million in the quarter as a result of its previously reported program of selling bitcoin to fund operating costs. In addition, the Company experienced lower impairments in the carrying value of its digital assets of $11.5 million, as bitcoin prices were generally rising during the current-year period. In addition, the Company benefitted from the absence of a $5.3 million unrealized loss on digital assets it held in an investment fund in the prior year. Partially offsetting these favorable earnings variances was lower total margin of $25.3 million, primarily resulting from lower bitcoin prices, and increased tax expense of $4.3 million due to the establishment of a valuation allowance at year-end 2022.

Adjusted EBITDA was $18.6 million in the current year period compared with $9.8 million in the prior year period, as the aforementioned gain on the sale of bitcoin, the lower impairment charges, and absence of the unrealized loss were partially offset by lower margin excluding depreciation and amortization of $21.5 million.

First Quarter 2023 Production Highlights

	Year-Over-Year Comparison			Prior Quarter Comparison		
Metric	**Q1-23**	**Q1-22**	**% Δ**	**Q1-23**	**Q4-22**	**% Δ**
BTC Produced	2,195	1,259	74%	2,195	1,562	41%
Avg. BTC Produced per Day	24.4	14.0	74%	24.4	17.0	44%
Operational/Energized Hash Rate (EH/s)[1]	11.5	3.9	195%	11.5	7.0	64%
Installed Hash Rate (EH/s)[1]	15.4	NA	NA	15.4	9.1	69%

Management Commentary

“After weathering a tumultuous 2022 that tested the resilience of our entire industry, this year is off to a strong start as we grew our hash rate, reduced our cost to mine, and improved our

balance sheet during the first quarter," said Fred Thiel, Marathon's chairman and CEO. "In Q1, we grew our energized hash rate 64% from 7.0 exahashes to 11.5 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 2,195 bitcoin during the first three months of this year, which is a 74% increase from the prior year.

"In addition to our energized progress, we also improved our financial position during the quarter. We increased our cash position by $12 million, reduced our debt by $50 million, and increased our unrestricted bitcoin holdings by 3,132 bitcoin after we prepaid our term loan and terminated our credit facilities with Silvergate Bank. We exited the quarter with approximately $124.9 million in unrestricted cash and cash equivalents and 11,466 bitcoin, the market value of which was approximately $326.5 million on March 31.

"With more hash rate coming online in the months ahead, Marathon remains on track to reach our 23 exahash goal near the middle of this year. We remain optimistic that we can achieve our primary growth targets and establish Marathon as one of the largest, most energy efficient, and most technologically advanced Bitcoin mining operations globally."

Q1 2023 Earnings Webcast and Conference Call
Marathon Digital Holdings will hold a webcast and conference call tomorrow, May 11, at 8:30 a.m. Eastern time to discuss its financial results for the quarter ended March 31, 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.

Date: Thursday, May 11, 2023
Time: 8:30 a.m. Eastern time (5:30 a.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 May 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.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (unaudited)
(In thousands, except share and per share amounts)

	Three months ended March 31, 2023	2022
Total revenues	$ 51,132	$ 51,723
Costs and expenses		
Cost of revenues		
Cost of revenues - Energy, hosting and other	(33,377)	(12,522)
Cost of revenues - Depreciation and amortization	(17,733)	(13,877)
Total cost of revenues	(51,110)	(26,399)
Operating expenses		
General and administrative expenses	(15,344)	(15,515)
Impairment of digital assets	(6,151)	(17,647)
Impairment of patents	-	(919)
Realized gains on digital assets sold and unrealized losses on digital assets loan receivable	17,615	(461)
Realized and unrealized gains (losses) on digital assets held within investment fund	-	(5,328)
Total operating expenses	(3,880)	(39,870)
Operating loss	(3,858)	(14,546)
Other non-operating income	791	247
Loss on extinguishment of debt	(333)	-
Interest expense	(3,760)	(2,814)
Loss before income taxes	(7,160)	(17,113)

Income tax benefit (expense)	(75)	4,262
Net loss	$ (7,235)	$ (12,851)
Net loss per share, basic and diluted:	$ (0.05)	$ (0.12)
Weighted average shares outstanding, diluted:	159,186,506	103,102,596

Supplemental Information:	**Three months ended March 31,**	
(in thousands unless otherwise indicated)	**2023**	**2022**
Operating Metrics:		
Bitcoin production during the period (in bitcoin)	2,195	1,259
Average bitcoin production per day	24.4	14.0
Total margin (revenues less total costs of revenues)	$ 22	$ 25,324
Total margin excluding depreciation and amortization	$ 17,755	$ 39,201
General and administrative expenses excluding stock-based compensation	$ (11,399)	$ (6,240)
Installed Hash Rate (EH/s) at end of period (1)	15.4	3.9
Energized Hash Rate (EH/s) at end of period (1)	11.5	3.9
Adjusted EBITDA (2)		
Net loss	$ (7,235)	$ (12,851)
Exclude: Interest expense	3,760	2,814
Exclude: Income tax expense (benefit)	75	(4,262)
EBIT	(3,400)	(14,299)
Exclude: Depreciation and Amortization	17,733	13,877
EBITDA	14,333	(422)
Adjustments for non-cash and non-recurring items:		
Stock compensation expense	3,945	9,275
Loss from extinguishment of debt	333	-
Impairment of patents	-	919
Adjusted EBITDA	$ 18,611	$ 9,772

(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 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 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

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.