



**HIVE**

**Q3/F20 Financial Results – March 3, 2020**



# Disclaimers

In this presentation, “HIVE” or the “Company” refers to HIVE Blockchain Technologies Ltd (TSXV HIVE).

## **Currency**

All amounts are in US dollars, unless otherwise indicated.

## **Forward Looking Information**

Except for the statements of historical fact, this presentation contains “forward-looking information” within the meaning of the applicable Canadian securities legislation that is based on expectations, estimates and projections as at the date of this presentation. “Forward-looking information” in this presentation includes information about restructuring of the Company’s operations and sustainable future profitability; review of certain business unit profitability; improvements in GPU Ethereum mining operational efficiency; the Company’s estimated 40% reduction in operating and maintenance costs in Sweden; potential restructuring at the Company’s Iceland facility (either through improving profitability or relocating equipment located in Iceland); the review of conditions for ASIC mining (and ASIC equipment use going forward), including the expected impact of the halving of Bitcoin awards expected in May 2020; potential investments (including M&A) by the Company; shareholder returns; the potential for the Company’s long term growth; the business goals and objectives of the Company, and other forward-looking information includes but is not limited to information concerning the intentions, plans and future actions of the parties to the transactions described herein and the terms thereon.

Factors that could cause actual results to differ materially from those described in such forward-looking information include, but are not limited to, the efficiencies obtained through restructurings may not lead to operational advantages or profitability; partnerships with Blockbase or Genesis and any of the third parties for which the Company relies for its operations; the digital currency market; the Company’s ability to successfully mine digital currency; the Company may not be able to profitably liquidate its current digital currency inventory, or at all; a decline in digital currency prices or other market factors may have a significant negative impact on the Company’s operations; the volatility of digital currency prices; and other related risks as more fully set out in the Filing Statement of the Company dated and other documents disclosed under the Company’s filings at [www.sedar.com](http://www.sedar.com).

This presentation also contains “financial outlook” in the form of gross mining margins, which is intended to provide additional information only and may not be an appropriate or accurate prediction of future performance, and should not be used as such. The gross mining margins disclosed in this presentation are based on the assumptions disclosed in this presentation and the Company’s Management Discussion and Analysis for the quarter ended December 31, 2019 (“Q3 MD&A”), which assumptions are based upon management’s best estimates but are inherently speculative and there is no guarantee that such assumptions and estimates will prove to be correct.

The forward-looking information in this presentation reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. In connection with the forward-looking information contained in this presentation, the Company has made assumptions about the Company’s ability to realize operational efficiencies going forward into profitability; profitable use of the Company’s assets going forward; the Company’s ability to profitably liquidate its digital currency inventory as required; the Company’s ongoing partnership with Genesis and new partnership with Blockbase; historical prices of digital currencies and the ability of the Company to mine digital currencies consistent with historical prices; and there will be no regulation or law that will prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company’s normal course of business. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

## **Non-IFRS Measures**

The Company has presented certain non-IFRS measures in this document. The Company believes that these measures, while not a substitute for measures of performance prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. Reconciliations to nearest IFRS measures are included in “RECONCILIATIONS OF NON-IFRS FINANCIAL PERFORMANCE MEASURES” in the Company’s Q3 MD&A.



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# Today's presenters

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**Frank Holmes**

Interim Executive Chairman

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CEO & CIO US Global



**Darcy Daubaras, CPA, CA**

Chief Financial Officer

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Experienced CFO of Canadian  
publicly-listed companies



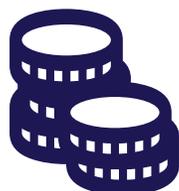
# Quarterly highlights



- Generated \$5.0M of income from digital currency mining with gross mining margin<sup>1</sup> of \$3.8 million, or ~\$1.1M excluding VAT reversal and upfront energy costs
- YTD gross mining margin of 37% excluding upfront energy costs compared to 24% in same nine months of 2018



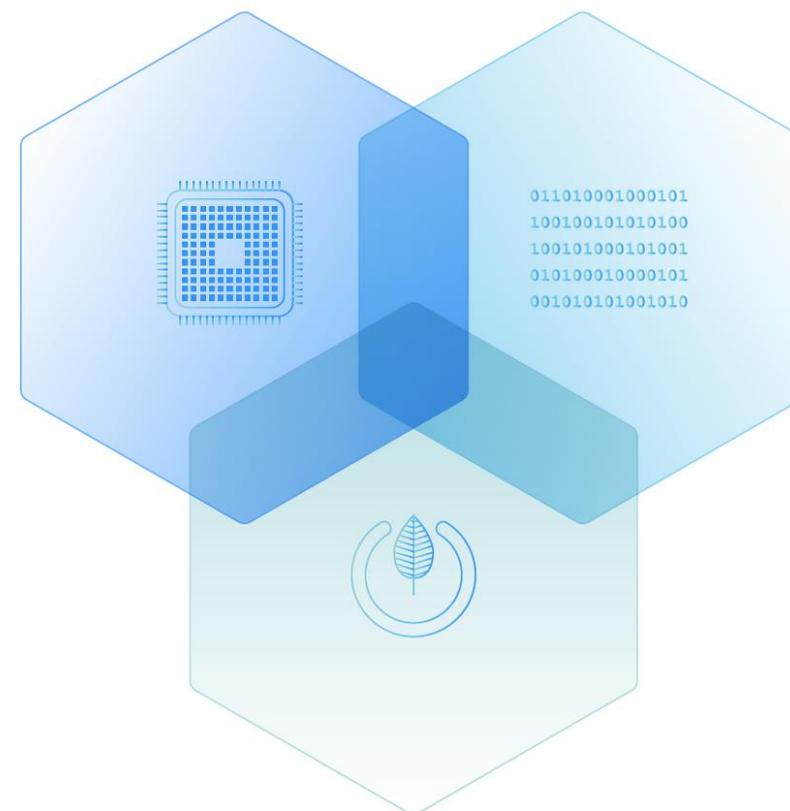
- Anticipated ~40% reduction in operating costs at Ethereum mining facility in Sweden in CY2020 following assumption of direct control of supply chain in Q3, including electricity hedging agreements entered into in Feb. 2020
- Suspended Bitcoin cloud mining operations during period of unprofitability



- Ended quarter with \$6.2 million cash position and cryptocurrency inventory of \$3.4 million, with working capital of \$11.8 million
- Strengthened balance sheet and greater cost certainty enables appropriate investments to drive future growth

## HARDWARE

## SOFTWARE

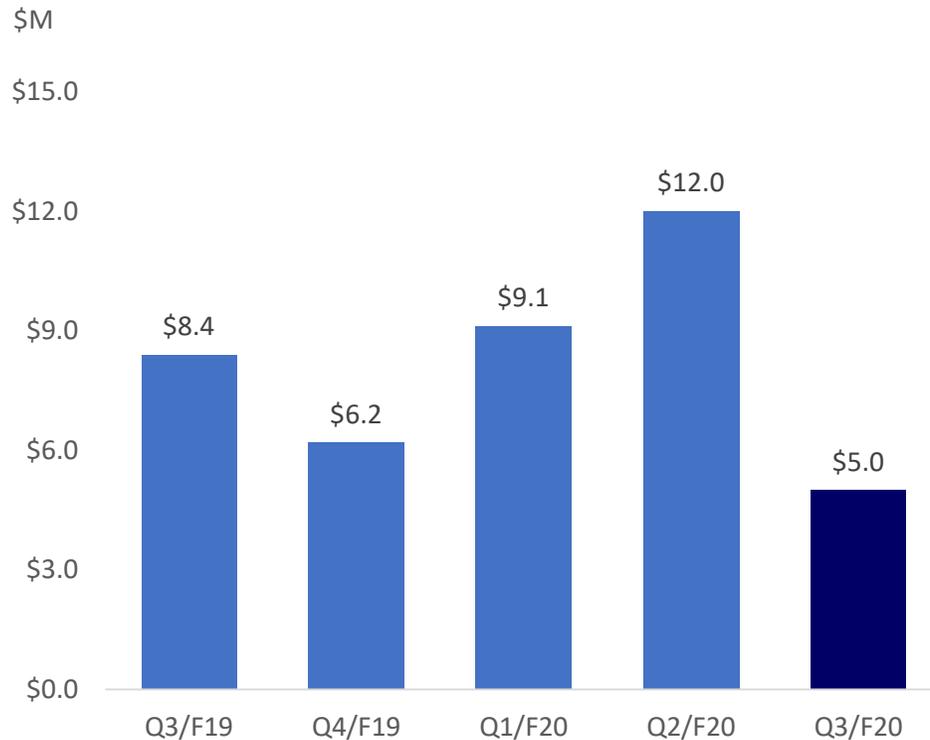


## GREEN ENERGY

<sup>1</sup> Non-IFRS measure; refer to Disclaimers



# Income from digital currency mining

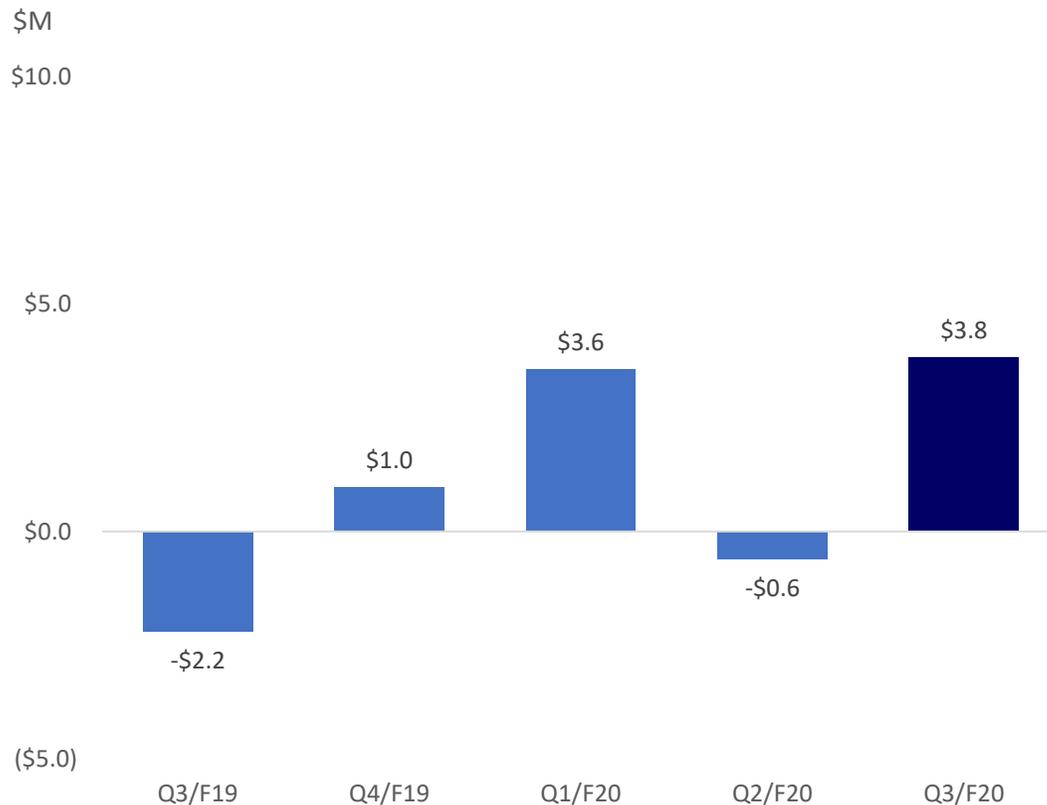


- Income from mining of newly minted digital currencies:
  - 23,175 Ethereum
  - 33,190 Ethereum Classic
  - 127 Bitcoin
- Year-over-year and sequential income decrease due primarily to suspension of Bitcoin cloud mining operations in Q3/F20 due to doubling of mining difficulty resulting in unprofitability

Decreases in income from digital currency mining driven by suspension of Bitcoin mining



# Gross mining margin<sup>1</sup>

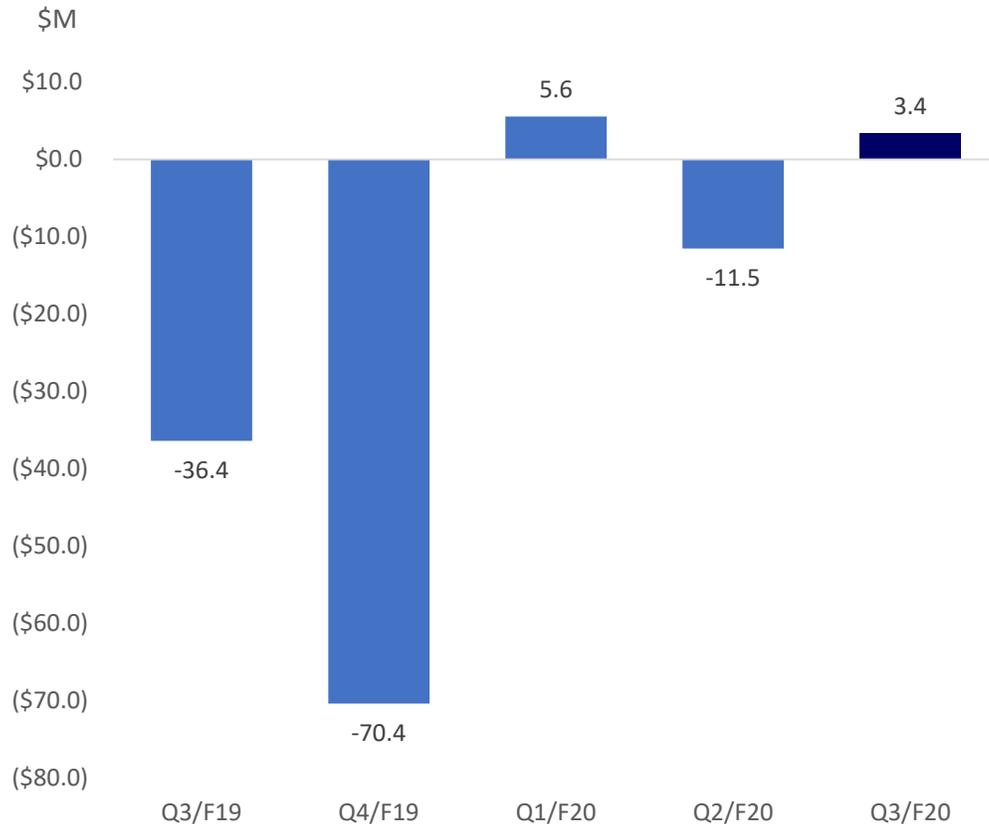


- YoY increase driven by improvement in the profitability of Ethereum mining operations in Sweden due to restructuring efforts, partially offset by a reduction in Bitcoin mining profitability due to network difficulty increases
- YTD F2020 gross mining margin improvements over F2019 due to restructuring efforts to lower operating and maintenance costs at Sweden facility, offsetting impact of negative mining conditions

YoY and sequential increases driven by initiatives to improve profitability of mining operations



# Net income (Loss)



- YoY increase driven by improvement in gross mining margin, impairment charges taken in fiscal 2019, and a decrease in depreciation expenses in fiscal 2020

YoY increase driven by improvement in gross mining margin and impairments taken in prior year



# Financial position at December 31, 2019 \$M

<b>Cash on hand</b>	<b>\$6.2</b>
<b>Amounts receivable &amp; prepaids</b>	<b>\$7.9</b>
<b>Digital currencies</b>	<b>\$3.4</b>
<b>Total current assets (incl cash)</b>	<b>\$17.5</b>
<hr/>	
<b>Total current liabilities (incl. debt)</b>	<b>\$5.7</b>
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<b>Funding operations through sale of coins</b>	<input checked="" type="checkbox"/>
<b>Solid financial position</b>	<input checked="" type="checkbox"/>



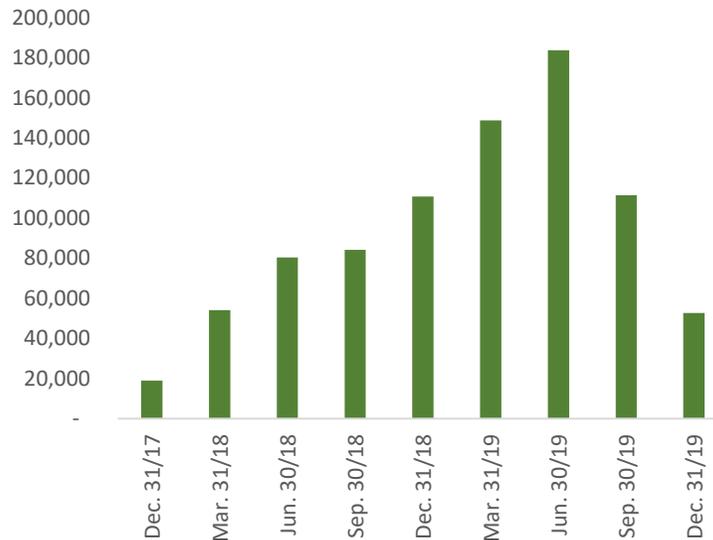
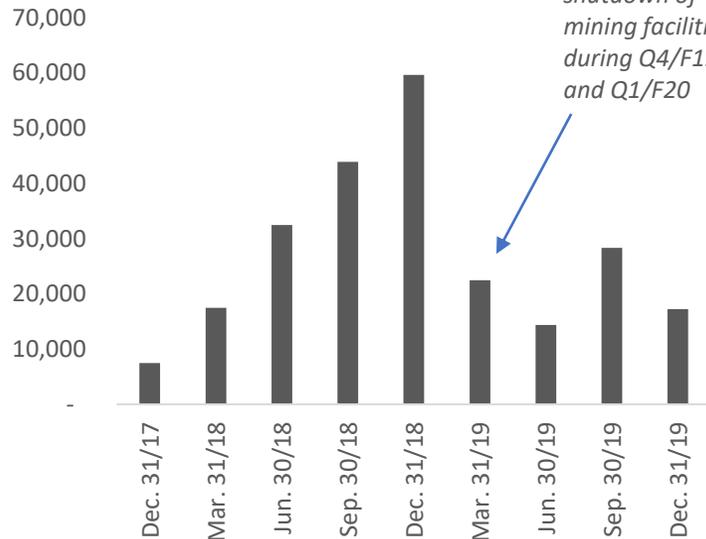
Strengthened balance sheet enables appropriate investments to drive future growth



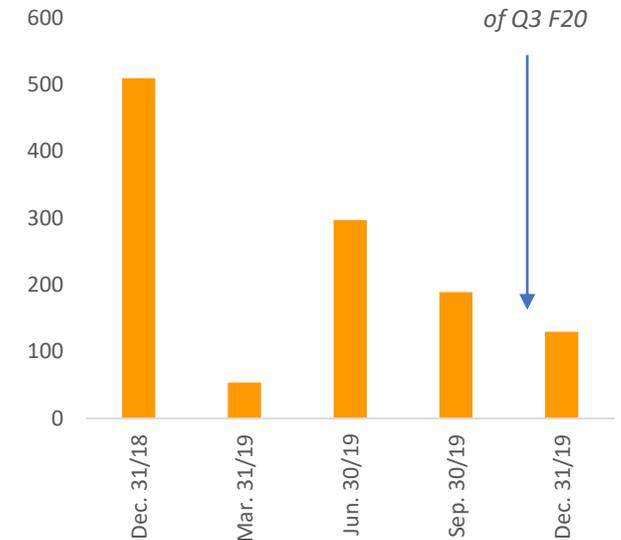
# HIVE coin inventory progression, net of sales



*Inventory impacted by temporary shutdown of mining facilities during Q4/F19 and Q1/F20*



*Mining suspended as of Q3 F20*

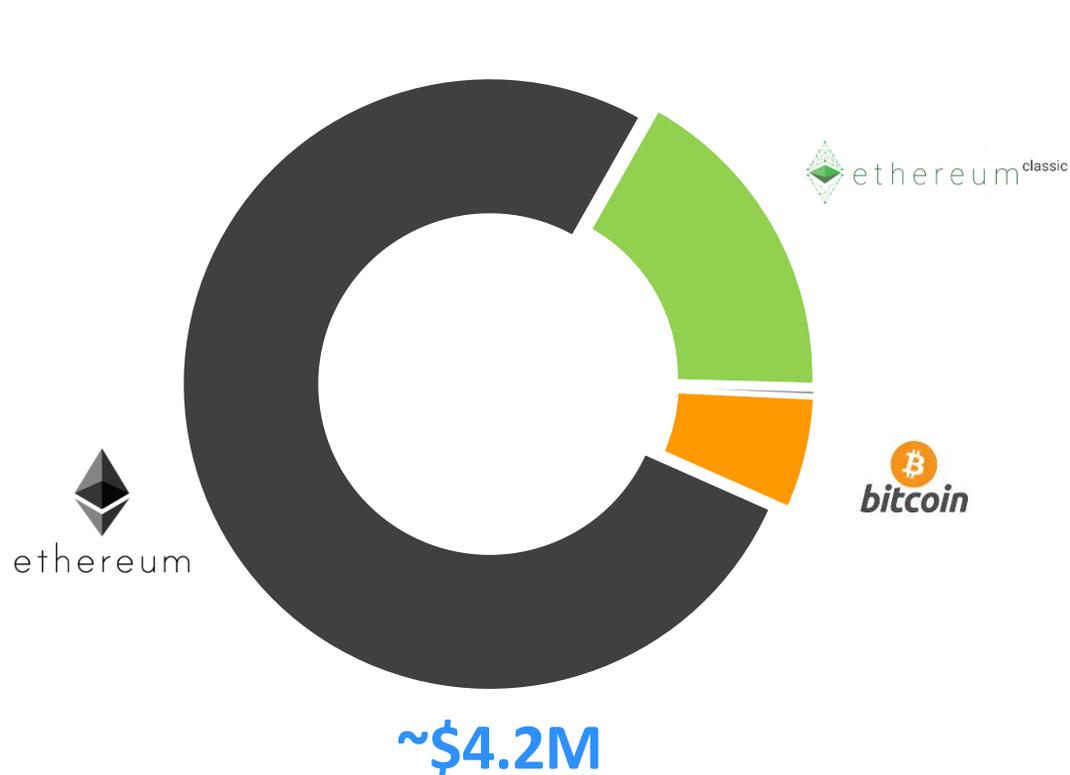


HIVE suspended mining of Bitcoin in Q3 F2020 due to unprofitability

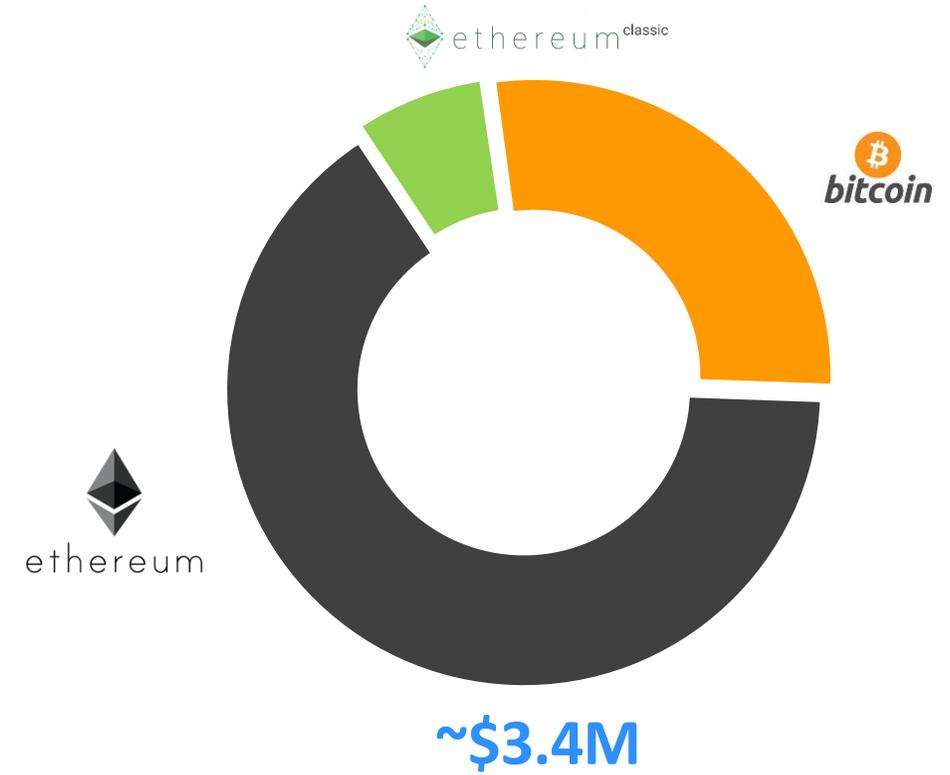


# HIVE coin inventory (\$M)

as at March 31, 2019



as at Dec. 31, 2019

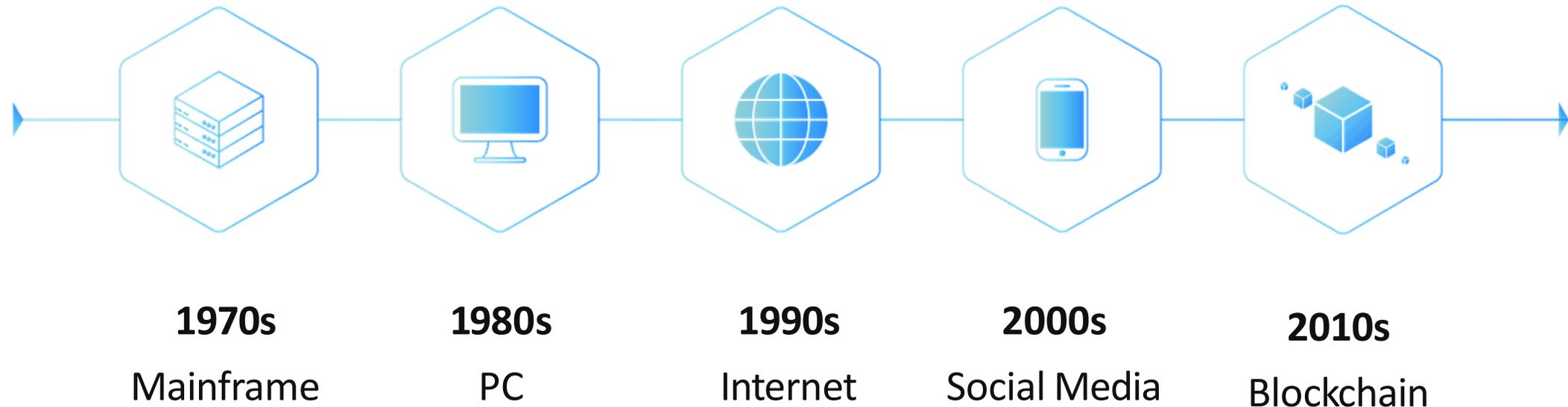


Inventory value impacted by decline in Ethereum price from Mar. 31 – Dec. 31, 2019



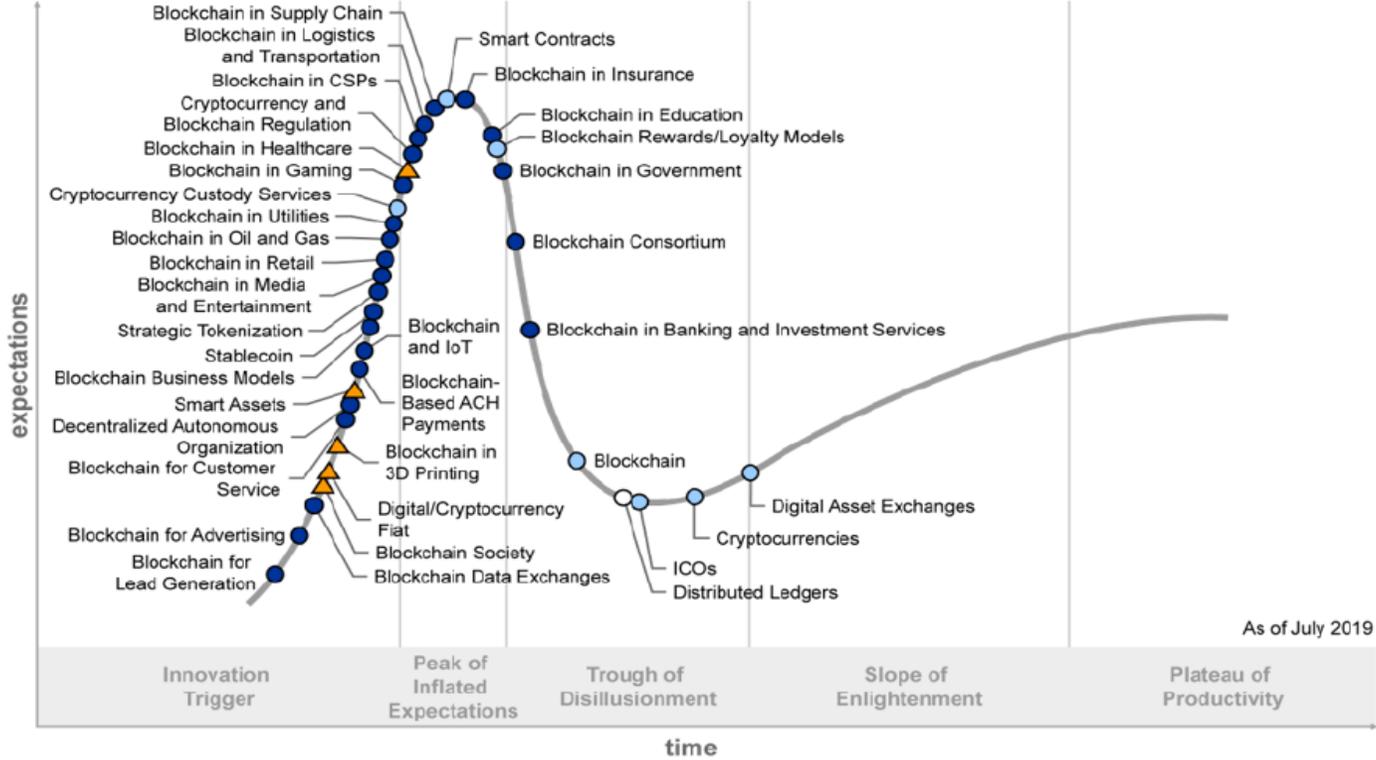
# What is the Blockchain?

A **DISTRIBUTED LEDGER** with information not all controlled by one central database. It is the database **TECHNOLOGY** that underpins cryptocurrencies.



# Blockchain expected to have transformational impact on business over next decade

## Hype Cycle for Blockchain Business, 2019



*“Since the first blockchain advocates began promoting the technology’s capabilities over a decade ago, leaders across industries have often seemed unsure what to do with it. But in 2019, something unmistakable is happening. What has emerged is a shared recognition that blockchain is real – and that it can serve as a pragmatic solution to business problems across industries and use cases.” - Gartner*

As of July 2019

Plateau will be reached:

- less than 2 years
- 2 to 5 years
- 5 to 10 years
- ▲ more than 10 years
- ⊗ obsolete before plateau

Source: Gartner  
ID: 390391

# Blockchain spending anticipated to grow at 60% CAGR over next five years

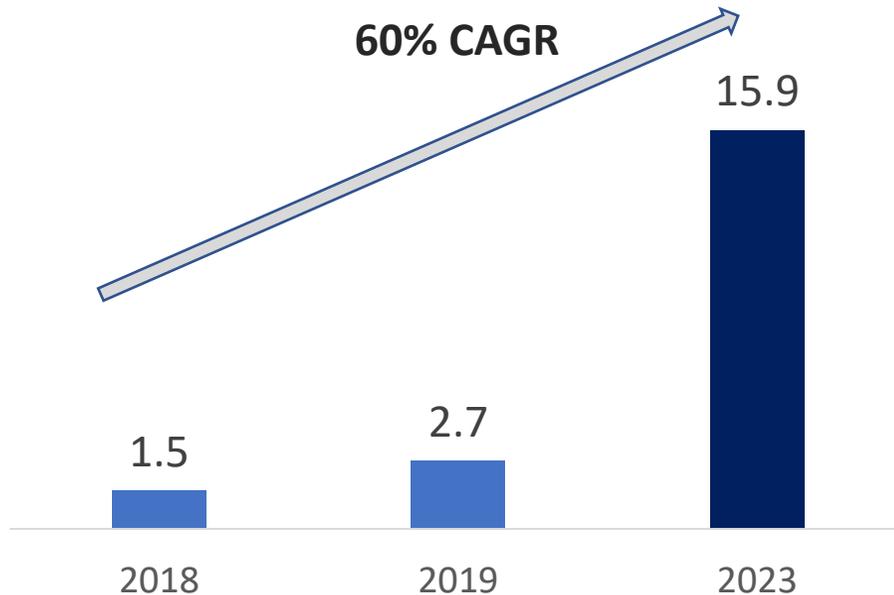


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## Worldwide Spending on Blockchain (US\$B)

60% CAGR



## Top Industries

- Banking ~30% of total
- Discrete and process manufacturing ~20% of total
- Others ~50%
  - Insurance, Securities and investment services
  - Construction
  - Resource Industries
  - Retail
  - Wholesale
  - Professional services
  - Personal and Consumer services
  - Transportation
  - Healthcare provider
  - Governments
  - Education
  - Telecommunications
  - Media
  - Utilities

# Greater security and smart contracts important drivers of blockchain adoption

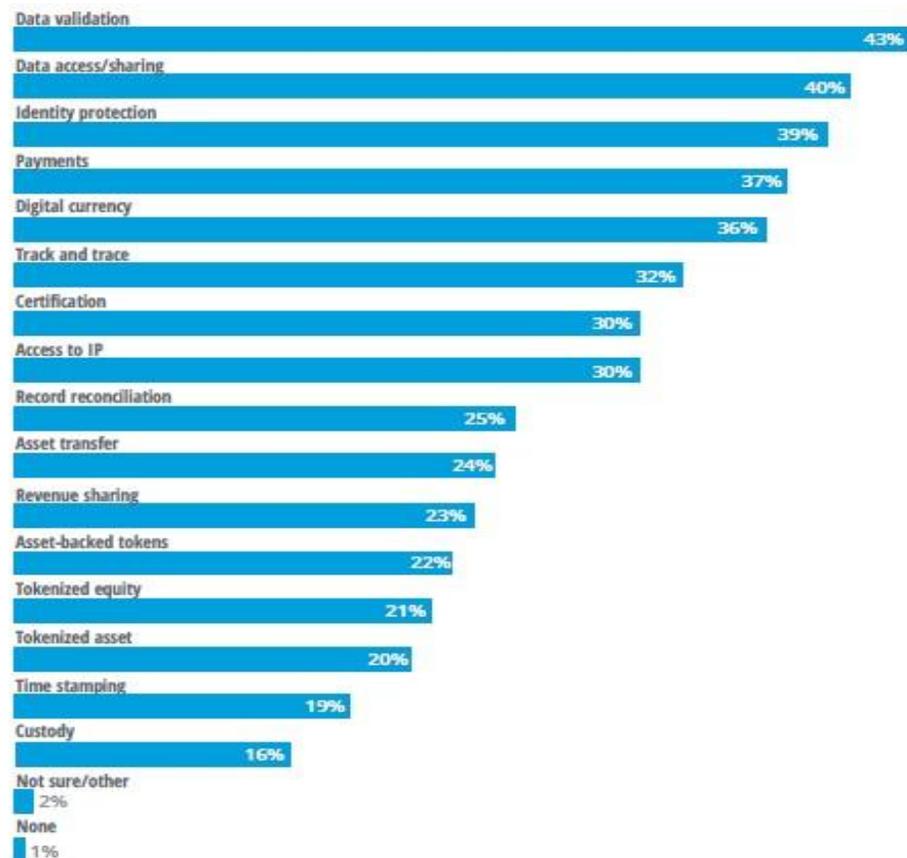


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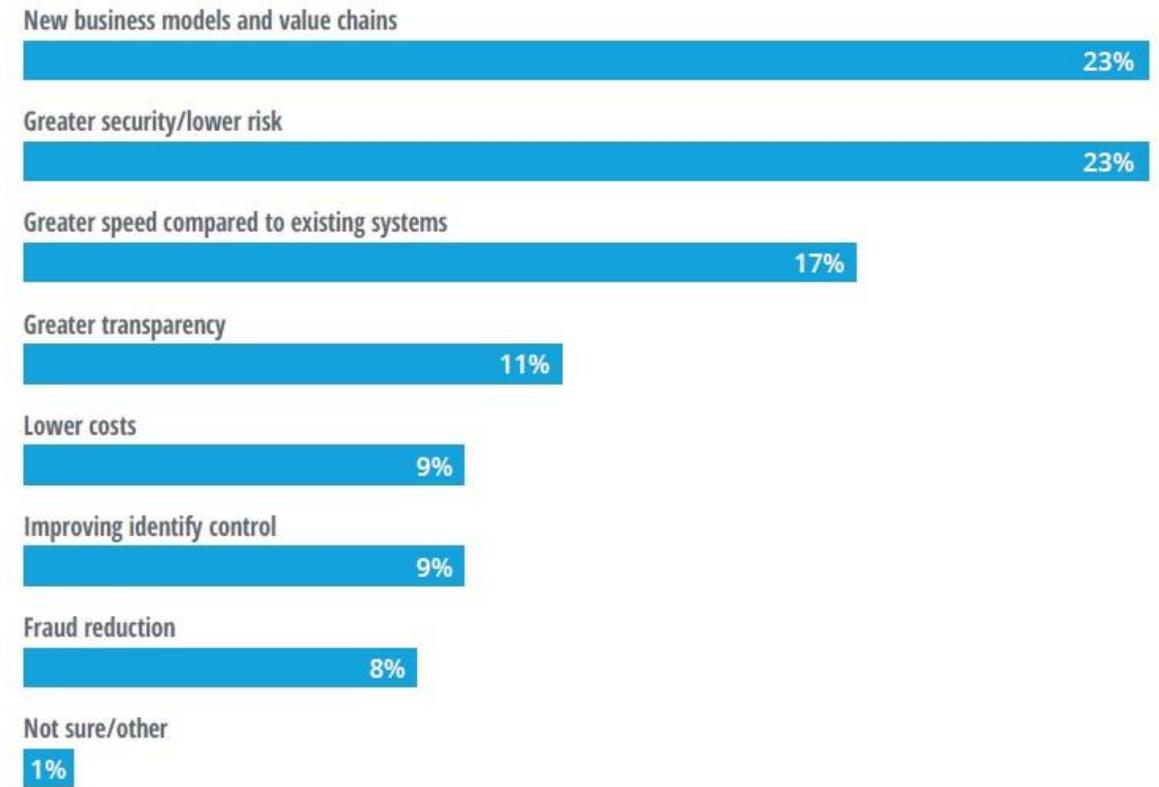
## Blockchain Use Cases

Survey Question: On which of the following blockchain use cases is your organization or project working?  
(Percentage of respondents citing that blockchain use case as an area of focus)



## Most significant advantages

Survey Question: Which one of the following, if any, do you believe is the most significant advantage of blockchain over existing systems?



# Ethereum can help enable blockchain adoption

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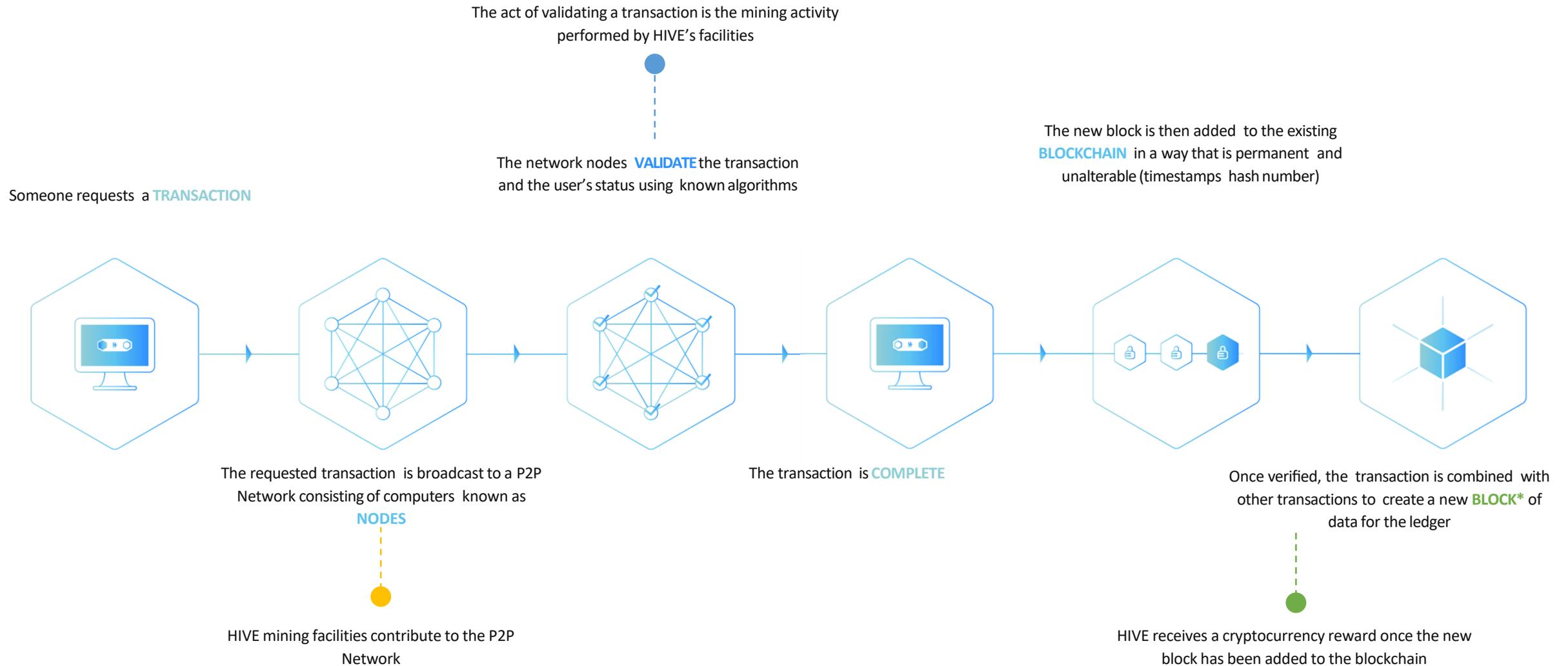


- **Purpose:** distributed computing platform and operating system for ‘unstoppable’ applications
- **Network launch:** July 2015 (Ethereum Foundation)
- **Value proposition:** on-chain smart contract functionality allows the design of programmatic, deterministic, and tamper-resistant agreements and interactions

Satisfies the five properties required of a Distributed Ledger Technology system:

1. Shared Recordkeeping
2. Multi-party consensus
3. Independent Validation
4. Tamper Evidence
5. Tamper Resistance

# Blockchains rely on “miners” like HIVE to secure transactions and control the creation of new digital currencies



\*This new block represents a reward for the miner who did the work to verify the transaction.

# Factors impacting HIVE's gross mining profitability

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$$\textit{Gross Mining Profitability} = f \left\{ \begin{array}{l} (\text{facility\_hash\_rate, power\_consumption,})^1 \\ (\text{coin\_price, network\_hash\_rate,})^2 \\ (\text{cost\_per\_kwh, maintenance})^3 \end{array} \right\}$$

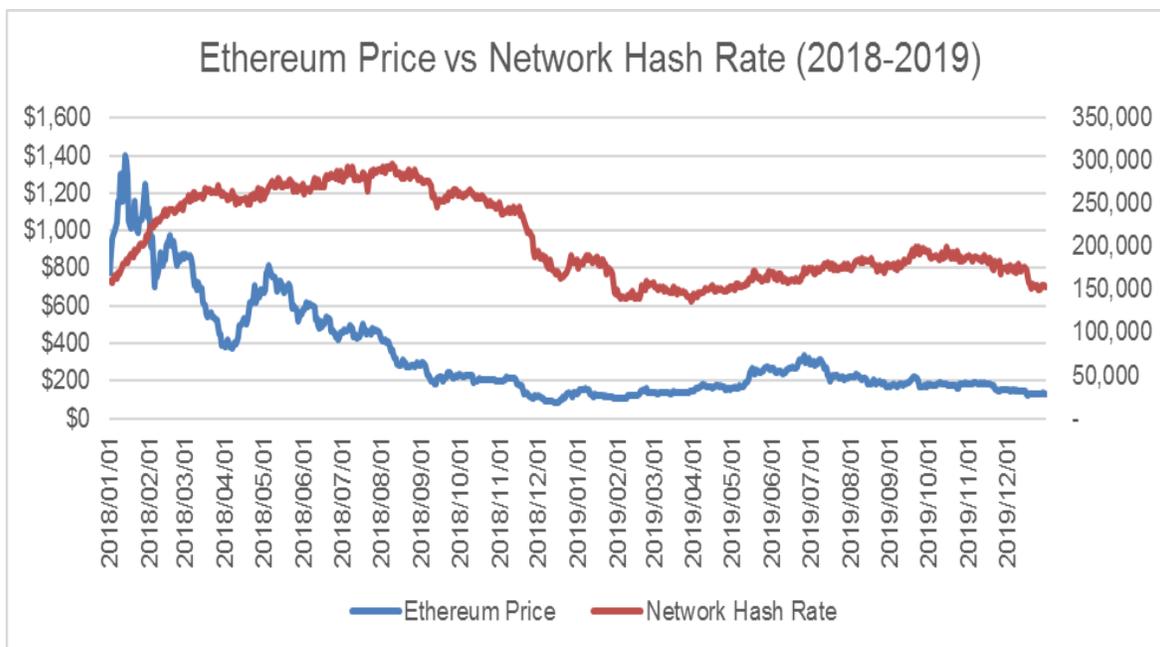
1 HIVE's **FACILITY SPECIFIC** factors that can be controlled through optimization of GPU's

2 **MARKET FACTORS**

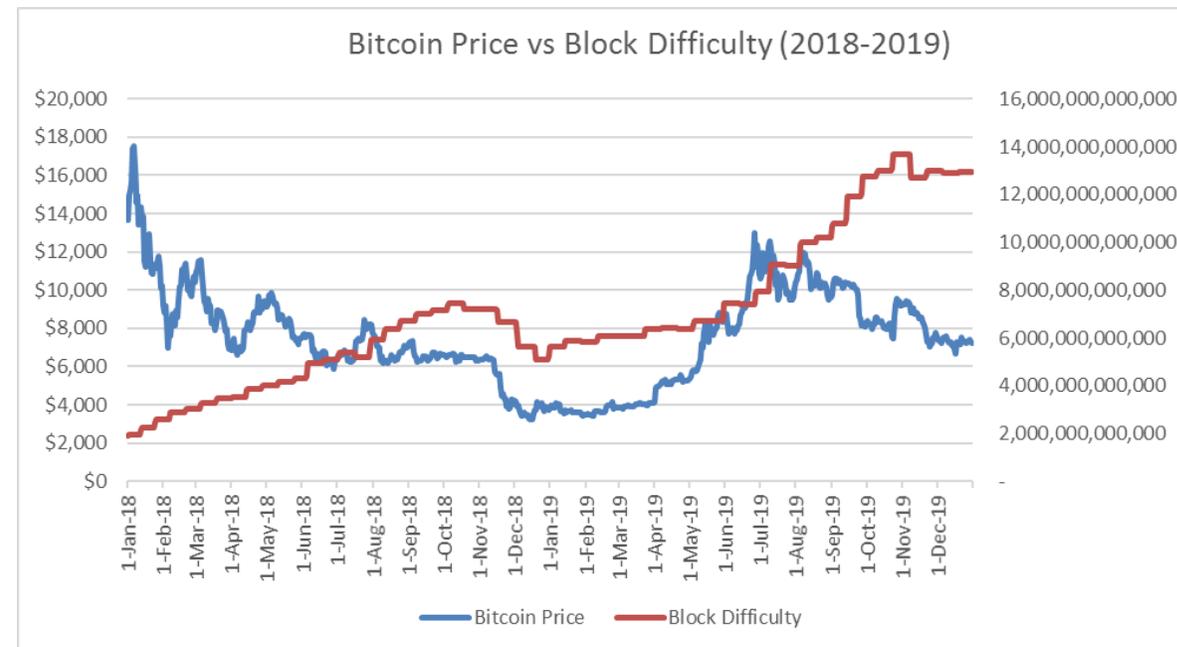
3 **OPERATING EXPENSE** in a mining facility, with electricity the primary cost



# Mining market factors have worsened in past two years



Source: Coinmarketcap.com; etherscan.io



Source: Coinmarketcap.com; blockchain.com

\* Block Difficulty is a relative measure of how difficult it is to find a new block. The difficulty is adjusted periodically as a function of how much hashing power has been deployed by the network of miners.

Significant declines in coin prices from historical high; in Bitcoin, mining difficulty also increased significantly



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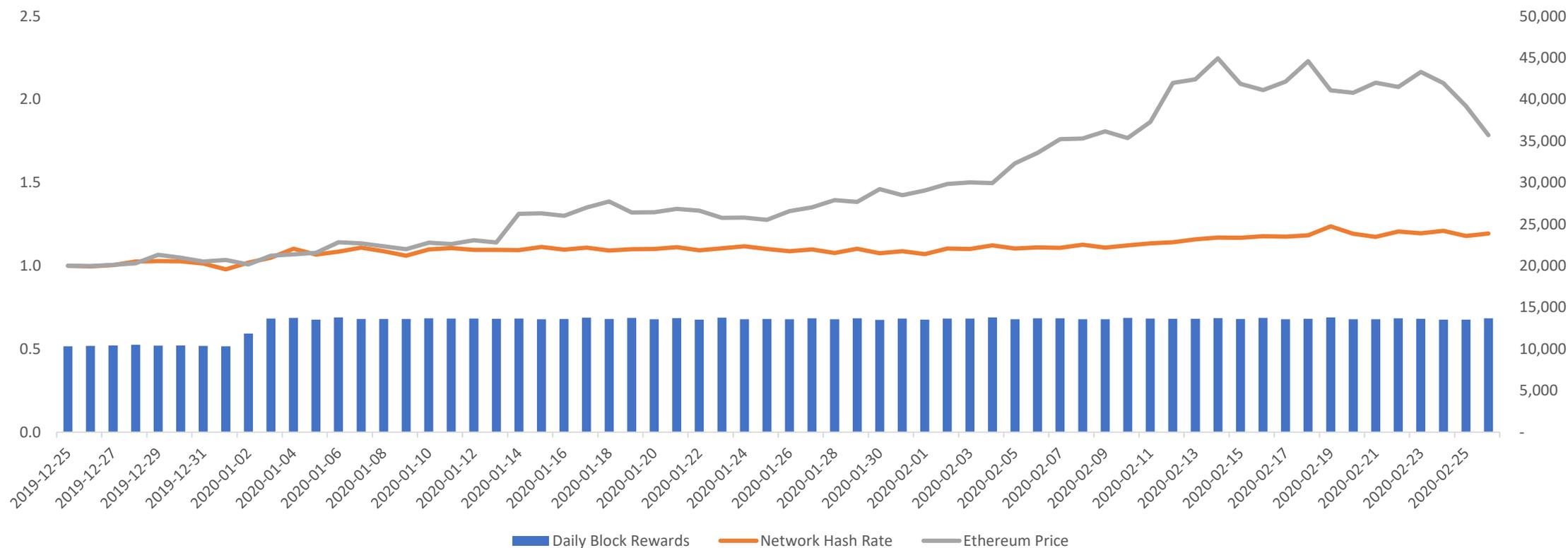
# HIVE correlated to Ethereum historically



Significant correlation between HIVE's share price and the price of Ethereum over past two years



# Ethereum mining conditions have improved in CY2020



Source: Coinmarketcap.com for price, etherscan.io for Daily Block Rewards and Network Hash Rate. Price and Network Hash Rate rebased to 1 as at Dec. 25, 2019.

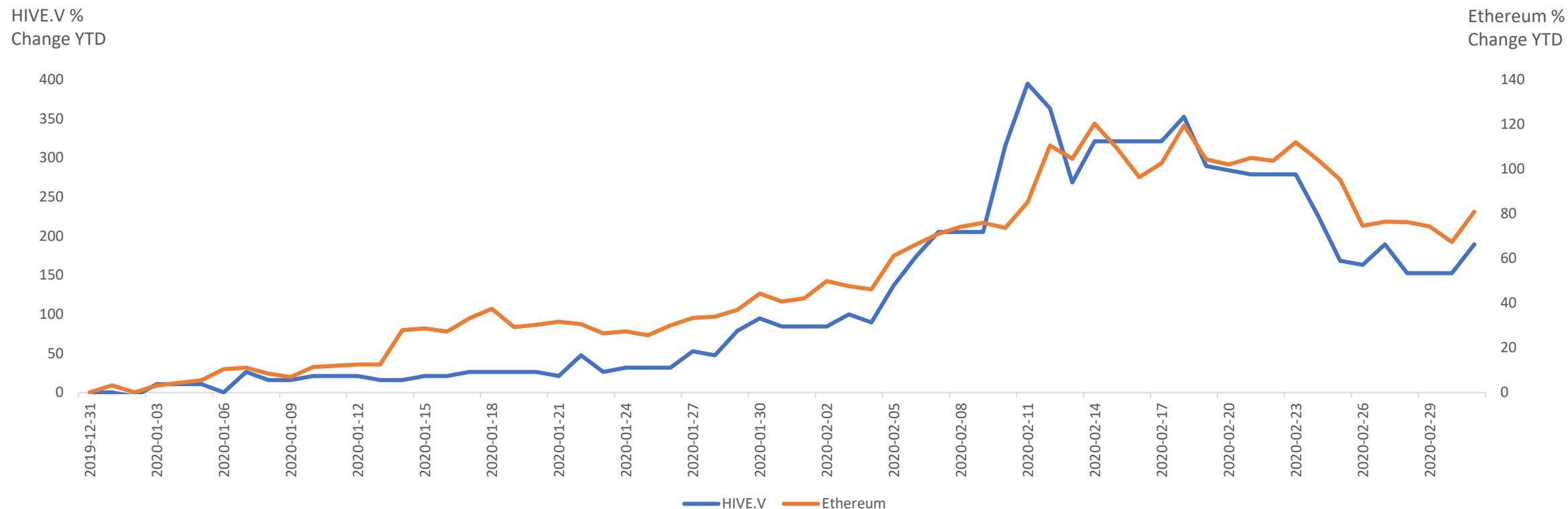
Coin price has risen, daily rewards increased, yet network hash rate has been relatively stable



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# HIVE's YTD rebound correlated with Ethereum



Source: Thomson Eikon. Prices rebased to 0 as at December 31, 2019.

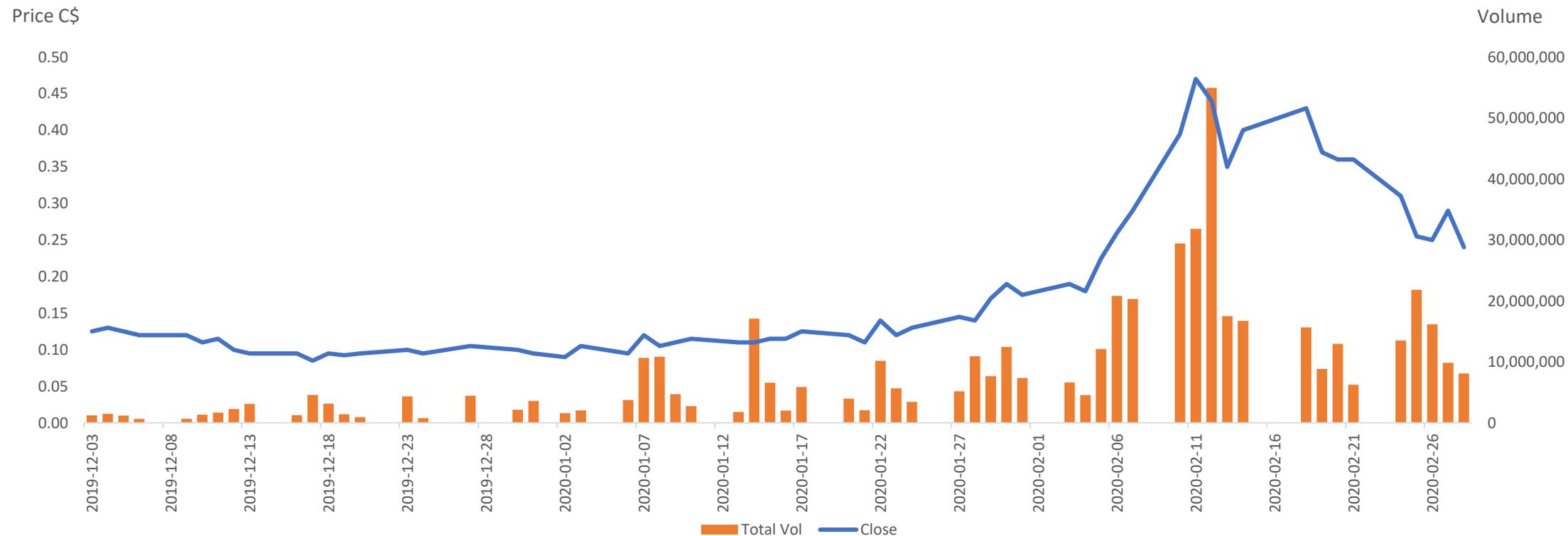
HIVE's share price has been correlated, but risen higher, than Ethereum YTD



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# HIVE trading volume has surged



Source: Stockwatch.com. Data for HIVE.V, all Canadian exchanges. Does not include volumes on OTCQX, Berlin or Frankfurt exchanges

Significant trading liquidity has resulted in HIVE being used as a proxy for Ethereum by traders

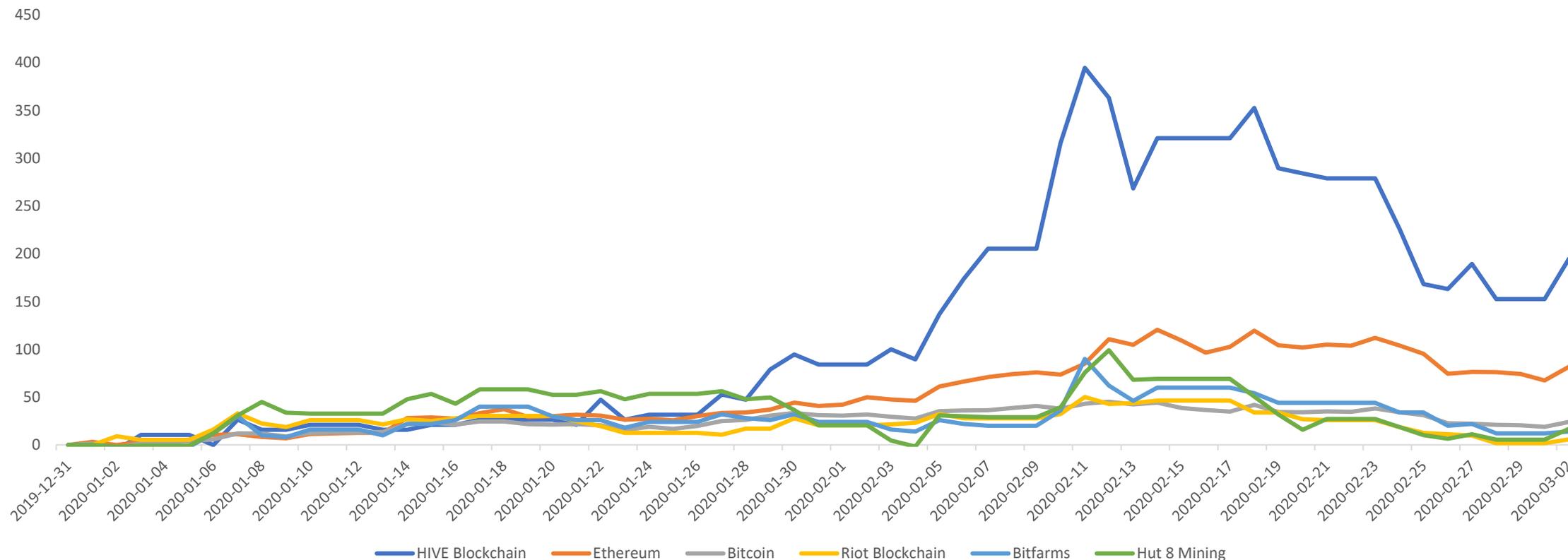


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# HIVE has outperformed coins and competition in 2020

Change % YTD



Important: past performance is not a guarantee of future performance



# Crypto assets remain highly volatile

## 10-Day Standard Deviation For One Year as of December 31, 2019

**S&P 500**

**±2%**

**Gold**

**±2%**

**Bitcoin**

**±14%**

**Ethereum**

**±12%**

Note: Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is also known as historical volatility



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