



H I V E

HIVE Blockchain Q1 F2021 Webcast

Prepared Remarks

October 16, 2020 10 a.m. EDT

Note: The prepared remarks are not actual transcript of the webcast presentation. Actual presentation can be viewed/heard [here](#).

DARCY DAUBARAS

Slide 1: Title

- Good morning, I'd like to welcome everyone to today's webcast for HIVE's Fiscal 2021 financial results for the first quarter ended June 30, 2020.
- I'm Darcy Daubaras, Chief Financial Officer for HIVE
- I'm joined on today's call by Frank Holmes, Interim Executive Chairman

Slide 2: Forward Looking Statements Disclaimer

- Before we begin, I'd like to remind you that during today's presentation, we will be making comments containing forward-looking information
- I invite you to read our financial disclosure for some of the risks and uncertainties that may affect HIVE's performance in the future. And as such, actual results may differ materially from the views expressed today. For further information on these risks and uncertainties, please consult our most recent MD&A and filings on SEDAR
- We will also be referencing non-IFRS measures; reconciliations of these measures are included in our MD&A
- Unless otherwise indicated, please note all figures are in USD
- I'll now turn the call over to Frank Holmes

FRANK HOLMES

Slide 3: Today's Presenters

Thanks to everyone on the line for joining our earnings call

- I am Frank Holmes, the Interim Executive Chairman at HIVE
- And I am joined by Darcy Daubaras, HIVE's CFO

Slide 4: OPERATIONAL UPDATE

- I will start with an update on our operations.

Slide 5: Q1 FISCAL 2021 HIGHLIGHTS

- During the fiscal quarter we assumed control of our data centre in Iceland.
- This was the culmination and the last step in an 18-month process for us to take full control of our global mining operations from our formal strategic partner.
- With this control we are expecting to experience a 50% reduction in the operational costs in Iceland. This is a similar transition as we had completed with our flagship Sweden facility in prior quarters.
- In addition, we have diversified our business by acquiring our data centre facility in Canada at the beginning of April 2020.
- Our focus on operations has led us to our third straight quarter of profitability which was driven by our Ethereum mining and

operational efficiencies, which has enabled us to invest in new Bitcoin mining operations.

- Additionally, we experienced an increase in our tangible assets through the appreciation of our digital currency portfolio from the strengthening of the Ethereum and Bitcoin prices.

Slide 6: HIVE Blockchain Investment Highlights

- I will give an investment overview of HIVE
- I'll now turn it over to Darcy to discuss the results of these efforts thus far

DARCY DAUBARAS

Slide 7: FINANCIAL REVIEW

- Thank you, Frank.

Slide 8: ETHEREUM MINING INCREASES...

- Turning to slide 8, we generated income from digital currency mining in the first quarter 2021 of \$6.6 million, from coin production of approximately 25,500 Ethereum, and 154 Bitcoin.
- The decrease in revenues vs the same quarter in fiscal 2020 was primarily due to a decline in the production of Bitcoin mining stemming from the shutdown of prior cloud mining agreements in Q3 fiscal 2020 due to unprofitability, this was offset by an increase in Ethereum mining driven by the reboot of our flagship Swedish data centre operation in July 2019 after being offline during the first quarter of fiscal 2020.
- The production of Bitcoin mining on the cloud resumed during this first quarter of fiscal 2021 following our acquisition of our new data centre in Canada
- Our gross mining margin, which equates to our revenues minus direct operating and maintenance costs, decreased in absolute dollars and but stayed strong as a percentage of revenues at 39%.
- Gross mining margin is also partially dependent on various external network factors including mining difficulty, the amount of digital currency rewards miners receive, and the market price of the digital currencies at the time of mining.

Slide 9: ETHEREUM MINING MARGINS...

- Turning to slide 9
- Our Adjusted EBITDA dropped in this first quarter of fiscal 2021 to \$2.6 million vs \$4.3 million in the prior year comparative quarter.
- The Ethereum mining margins that we experienced during the quarter enabled us to acquire additional data centre assets and diversify our business
- We are proud to continue to record consecutive quarters of positive Adjusted EBITDA and profitability which is a reflection of our attention on reducing operational and overhead costs in the organization from top to bottom.
- I will highlight that gross mining margin and Adjusted EBITDA are non-IFRS figures
- Net income for the first quarter of fiscal 2021 was \$1.8 million compared to \$5.6 million in the prior year comparative quarter. This decrease was driven predominately by:
 - gains recorded on investments and digital currencies in the prior year period
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Slide 10: HEALTHY BALANCE SHEET

- Turning to slide 10, our cash position stood at \$1.2M at June 30, 2020, along with an additional \$6.6 million in digital currencies, primarily of Ethereum and Bitcoin
- We also have \$12.5 million in amounts receivable and prepaids
- We maintain a strong net cash position and healthy working capital to fund our operations and growth
- I'll now turn it back to Frank.

FRANK HOLMES

Slide 11: HIVE UPDATE

Thanks Darcy. I'll now give an overview of where HIVE is today.

Slide 12: BITCOIN MINERS' REVENUES HAVE INCREASED...

- On slide 12, we provide an overview of THE INCREASE IN Bitcoin miners' revenues since the halving on May 11, 2020.
- Bitcoin prices have driven significant increases in revenues for the entire Bitcoin mining industry
- It's important to note though that difficulty increases that are being experienced as a result of increased computing power from next generation mining equipment has acted to counter those price increases and neutralized per capita profitability

- As a result, maintaining high efficiency in hand with continued price increases will be important to support increased mining profitability.

Slide 13: PREVIOUS HALVINGS OF NEW BITCOIN.....

- In looking at history we can see that previous halvings of Bitcoin have resulted in exponential; price increases
- This most recent halving on May 11 2020 is no exception with the Bitcoin price up approximately 33% since that date
- While past performance is obviously no guarantee of future performance, the price of bitcoin rose substantially in the 18 months following the past two halvings of bitcoin rewards.
- There are various ways to value bitcoin. One which has gained attention and is reasonable, but not guaranteed to be correct obviously, is utilizing the stock-to-flow model.
- This model forecasts similar prices rises in bitcoin in the future

Slide 14: HIVE'S BITCOIN MINING FACILITY SCALING...

- In early April of this year, we completed the acquisition of our own data centre facility in Quebec.
- We have scaled up next generation mining equipment at this facility and now have approximately 3,000 new generation miners generating 217 Petahashes per second of hashpower while only utilizing about 9 megawatts of electricity.
- This makes us one of the most efficient public miners in Canada in terms of Petahashes per second per megawatt of electricity used.
- As this facility has 30 megawatts of power capacity, there is still significant capacity for scaling and expansion within this facility.

Slide 15: PRICE INCREASES AND DEFI HAS DRIVEN...

- Slide 15 outlines the impact of increasing Ethereum adoption
- Thus far in 2020, Ethereum miner revenues have seen a 365% increase due to a combination of factors:
 - A 290% increase in the price of Ethereum, combined with
 - An increase in the Ethereum rewards being earned by miners due to the sharp increase in transaction fees driven by DeFi or Decentralized Finance.
- These two factors have assisted in offsetting the increase in overall network hash rate from new computing power that has been mining Ethereum.

Slide 16: HIVE MINED RECORD ETHEREUM IN MOST RECENT QUARTER

- Turning to slide 16, we celebrate HIVE mining a record number of Ethereum rewards in this first quarter of our 2021 fiscal year
- The record number was driven by the massive demand for transactions for Ethereum which includes stable coins and DeFi applications
- We have been able to increase cash flows as a result of increased production from our data centres, the significant rise in the price of Ethereum and lower costs to mine that we have achieved as a result of assuming control of our data centre operations
- These increased cash flows have allowed us to support our recently acquired Canadian data centre, and invest in the upgrading of our data centres in Europe
 - These upgrade projects are being challenged by global supply chain interruptions from COVID-19

Slide 17: HIVE HAS OUTPERFORMED COINS AND COMPS YTD

- Turning to slide 17, we outline the performance of our shares vs Ethereum and Bitcoin as well as our competitors
- As is evident, we have significantly outperformed this year
- This has helped us bounce back from underperformance in calendar 2019 following our dispute with Genesis and some institutional selling that occurred subsequently

CLOSING

- Ok, I'd like to thank our investors for your ongoing support and we look forward to speaking to you soon when we release our Q2 fiscal 2021 financial results.