

UPDATE NOTE

CLIMATETECH & SUSTAINABLE INVESTING

Soluna Holdings, Inc. (NASDAQ: SLNH)

Project Dorothy Moves Closer to Cash Flow Generation

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KEY POINTS

- **Project Dorothy tracking to be energized in mid-1Q23.** Soluna announced that the project is progressing through the final approval process with the grid operator ERCOT and is now tracking toward energization between early February to early March 2023.
- **Energization of Project Dorothy will be game-changing for Soluna.** The project will more than double consolidated project cash flows and the installed base of megawatts under management when it is energized in 1Q23 (see details on the following page).
- **Project Dorothy will be a replicable template for future projects.** Once energized, the project will be one of the lowest-cost facilities of its kind in North America. Soluna's unique modular data center design should allow the company to quickly expand its capacity both for the next 50 MW at Dorothy and help secure new project sites as the 'de-risked' model makes it an attractive partner for project developers, grid operators, and financial investors.
- **Project Dorothy next steps.** The project is now nearing the completion of the planning phase and will then advance into the modeling phase, which is scheduled to complete in February 2023. From there, it will move into the operations phase where the logistics of a specific date for energization of the facility are set, expected in 1Q23.
- **Recently announced Securities Purchase Agreement (SPA) helps progress Project Dorothy toward energization.** On December 5, Soluna announced its entry into an SPA with an initial amount of \$855,000 of common stock with existing investors, plus warrants that are immediately executable at \$0.76, which, if fully exercised, will raise \$1.71 million. In addition, there are two future option tranches.

KEY STATISTICS

Price	\$0.55
52-Week Range	\$0.50-\$12.25
Average Daily Trading Volume (30-Day)	105,861
Shares Outstanding (MM)	17.54
Market Capitalization (\$MM)	\$9.72
Institutional Ownership (%)	12.59
Enterprise Value (\$MM)	\$36.89
Fiscal Year-End	December

Source: YCharts, as of December 6, 2022

OUR INSIGHTS

The Opportunities

Soluna is on the cusp of a major jump in its profitability and size with the start-up of its delayed flagship project Dorothy. Low energy costs and renewable power sources give the company a competitive advantage to grow the profitability of its cryptocurrency mining and expand its customer base into batchable, high-performance cloud computing.

The Obstacles

Soluna is subject to multiple factors that are outside of its control, mainly the timing of approvals from transmission operators, such as the Electric Reliability Council of Texas (ERCOT), and Bitcoin pricing/hash rate. The company has executed on what is in its control and has proved adept at reacting to these challenges, but they have slowed progress and forced Soluna to raise additional capital. As the company grows and brings on more projects, we expect portfolio diversification will help minimize the impact of individual project risk on corporate results.

Figure 1. Illustrative Monthly Earnings Power of Dorothy

(Bitmain XP chips, \$ in 000)

Illustrative Summary of Monthly Financials from Dorothy

(\$ in 000)	100% Hosting	50% / 50%	100% Prop
Cash Inflows			
Dorothy 1A	1,098	1,433	1,767
Dorothy 1B	1,098	1,433	1,767
Total Cash Inflows	2,196	2,865	3,534
Cash Contribution Margin			
Dorothy 1A (Net of 32% Spring Lane Ownership)	311	539	766
Dorothy 1B	458	792	1,127
Total Cash Contribution Margin	769	1,331	1,893

Note: Represents non-GAAP financial metrics and forward looking statements.

Note: Assumes \$17k BTC price, 270 EH / s network hash rate, 90% capacity factor, 95% availability factor, and estimated \$35 / kWh average annual power costs (including assumed seasonal demand fees and taxes). Hosting contract based on \$60 / kWh fixed rate. Assumes that purchased and hosted machines are 140 Th/s Bitmain XPs.

Source: Company reports

ABOUT THE ANALYST



Graham Mattison
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Graham Mattison brings more than 20 years of experience in equity research, investor relations, and corporate operations, growth, and development. Graham was the Investor Relations Officer for two NASDAQ-listed companies where he led multiple equity raises as well as managed an activist investor campaign, M&A and corporate restructuring, and a NASDAQ delisting and relisting.

Previously, he was a Senior Equity Research Analyst, most recently at Lazard Capital Markets, covering the industrial and cleantech industries. He began his career in Southeast Asia as an Investment Analyst for Daiwa Securities. He was also co-founder of an online residential real estate start-up that developed a web-based auction platform.

Graham received his BA in East Asian Studies with minors in Economics and History from Hobart College and his MBA in Finance with honors from the Thunderbird International Business School at Arizona State University. He is an Investor Relations Charter (IRC) holder from the National Investor Relations Institute.

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