

Bitdeer Technologies

Q4 2024 Earnings Call Script

Yujia Zhai, Investor Relations Advisor

Thank you, operator and good morning, everyone. Welcome to Bitdeer's fourth quarter and full-year 2024 earnings conference call. Joining me today are Jihan Wu, Chairman and CEO; Matt Kong, Chief Business Officer; Haris Basit, Chief Strategy Officer; and Jeff Laberge, Head of Capital Markets and Strategic Initiatives. Haris will begin today by providing a high-level overview of Bitdeer's fourth quarter and full year 2024 results and then cover the Company's strategy and a detailed business update. After that, Jeff will cover Bitdeer's fourth quarter financial results in more detail and then we will open the call for questions. To accompany today's earnings call, we have provided a supplemental investor presentation. This presentation can be found on Bitdeer's investor relations website under webcasts and presentations.

Before management begins their formal remarks, we would like to remind everyone that during today's call, we may make certain forward-looking statements. These statements are based on management's current expectations and are subject to risks and uncertainties, which may cause actual results to differ materially. For a more complete discussion on forward-looking statements and the risks and uncertainties related to Bitdeer's business, please refer to its filings with the SEC.

Further, in addition to discussing results that are calculated in accordance with international financial reporting standards or IFRS, we will also make references to certain non-IFRS financial measures such as adjusted EBITDA and adjusted Profit. For more detailed information on our non-IFRS financial measures, please refer to our earnings release that was published earlier today, which can be found on Bitdeer's Investor Relations website. Thank you - I will now turn the call over to Haris. Haris?

Haris Basit, Chief Strategy Officer

Thank you Yujia and good day everyone. Welcome to our Q4 and full-year 2024 earnings conference call. I am excited to share the many developments happening at Bitdeer and walk you through the progress we've made since last quarter. Before diving in, I'd like to briefly highlight our Q4 financial results for which Jeff will provide more details in a few minutes.

Starting on slide 3, For Q4 2024, total revenue was \$69.0 million dollars, gross profit was \$5.1 million dollars, and adjusted EBITDA was negative \$3.8 million dollars. This lower performance compared to Q4 2023 was primarily driven by the impact of the April 2024 halving, increased global network hashrate, lower hosting and cloud mining revenue and higher R&D costs. These negative impacts were partially offset by higher year-over-year average self-mining hashrate and higher Bitcoin prices.

Over the last year, we made a deliberate decision to prioritize resources on the development of our own ASIC technology. This limited our hashrate growth but gives us massive advantages going forward that differentiates our business from the rest of the sector. As our mining rigs become available in volume in the coming months, we will be able to rapidly increase our self-mining hashrate at a significant cost advantage — **as well as** sell our machines to external customers to begin penetrating the \$4 - \$5 billion annual ASIC market.

A core pillar of our strategy is to develop internal technologies and capabilities, driven by our belief that this is the best way to maximize long-term shareholder value. To secure long-term success, we are committed to building a fully vertically-integrated business. This includes developing our own power generation assets, globally diversified data centers and leading-edge mining hardware.

As seen on slide 5 of our supplemental presentation and in pursuit of our vertical integration initiative, we successfully acquired a 19-acre site that is fully permitted for construction of a 101

MW gas-fired power plant. This project is near Fox Creek, Alberta and was acquired earlier this month for \$21.7 million in cash. It also includes approval for a 99 MW grid interconnection with Alberta Electric System Operator. We plan to develop and construct the power plant in partnership with a leading Engineering, Procurement and Construction firm with completion and energization expected by Q4 2026.

In parallel to the gas-fired generator, we plan to develop a 99 MW datacenter for Bitcoin mining as the first phase of this site's development. We estimate the total capital expenditure for constructing the gas-fired power plant to be approximately \$90 million, with an additional \$30 million allocated for electrical and data center infrastructure. Upon completion, we intend to deploy approximately 9 EH/s of our SEALMINER A3 mining rigs, which are expected to deliver industry-leading efficiency of 11-12 J/TH.

We estimate energy production costs at this gas-fired power plant to range between \$20 to \$25 per MWh, based on current gas prices. Additionally, as part of the acquisition, we plan to implement a carbon utilization system that captures CO₂, making this project a net-zero carbon producer. This initiative is expected to help offset Canadian carbon tax obligations while also creating potential future revenue opportunities through the sale of carbon credits.

Further, as part of our energy optimization strategy, we plan to curtail and sell power back to the Alberta grid during periods of peak demand. This approach is expected to enhance cost efficiency while contributing to grid stability with minimal impact on Bitcoin production.

We are extremely excited about this acquisition. This newly acquired site and power generation project represents a big step for Bitdeer, positioning us as the world's first fully vertically integrated Bitcoin miner at scale. With this development, we are on a path to achieve one of the lowest Bitcoin mining costs in the industry.

In terms of our ASIC business, which is highlighted on slides 6 - 8 of our supplemental presentation, we continue to execute on our advanced chip roadmap, positioning ourselves for a transformative 2025. Owning and deploying our own mining ASICs is an integral part of our full vertical integration strategy. It will provide us distinct advantages – such as a lower cost structure, enhanced capital efficiency, and a dramatically improved supply chain compared to the broader industry. In addition, commercializing SEALMINER ASICs allows us to diversify our revenue streams into the rapidly growing ASICs market, where we see strong demand for alternative suppliers of ASIC solutions.

I will now provide a detailed update on our ASIC roadmap:

Starting with SEALMINER A1. To date, we have energized 0.4 EH/s of our SEALMINER A1 miners and they have demonstrated solid performance. The mass production of the remaining 3.3 EH/s remains on schedule and is expected to be completed in March 2025.

For SEALMINER A2, this miner represents a significant advancement in our technology roadmap, leveraging our proprietary SEAL02 chip. In Q4, we commenced mass production at TSMC to deliver approximately 35 EH/s of SEALMINER A2s by October 2025. This represents a delay of approximately one month compared to our original expectation due to a 6.4 magnitude earthquake that struck Taiwan on January 21, 2025. The SEALMINER A2 is our first commercial miner available for sale to external customers. So far, we have allocated 7 EH/s of the current 35 EH/s for external sale. Initial customer demand has been extremely strong with pre-orders for the 7 EH/s being oversubscribed by a factor of 6. We have already received 20% of the total price as down payments on all 7 EH/s. Volume shipments to these customers will commence in March 2025. The remaining 28 EH/s of A2 capacity is currently intended to be used for our own self-mining. The first batch of air-cooled machines have been delivered to our mining datacenters for testing and are running stably.

Building on the success of A2, our R&D efforts for SEALMINER A3 are progressing smoothly. This next-generation model will feature the SEAL03 chip, which is expected to deliver industry-leading energy efficiency of 10 J/TH at the chip level. Finished wafers from the initial tape-out are expected in March 2025, with production readiness targeted for later this year. Achieving 10 J/TH chip efficiency would mark a major milestone for the industry, positioning SEALMINER A3 as the most advanced and energy-efficient ASIC on the market.

As energy efficiency remains the **most** important single metric influencing buying decisions, we believe having the most efficient ASIC is the key factor to winning market share. Unlike other industries, such as smartphones, where switching costs include significant ecosystem frictions, Bitcoin mining ASICs operate in a highly fluid market where transitioning to alternate machines creates little or no friction. In this space, the most efficient and reliable machines win. With that in mind, we are eagerly awaiting the return of SEAL03 sample wafers scheduled for March.

Looking ahead to the second half of this year, our SEALMINER A4 project is a testament to our commitment to maintaining technological leadership and pushing past perceived limitations of ASIC design. The SEAL04 uses a revolutionary new digital chip architecture that significantly enhances energy efficiency and is projected to have a chip-level energy efficiency of 5 J/TH. Tape-out is planned for Q3 2025. We believe SEALMINER A4, along with our 3rd generation chip, will position Bitdeer as the leading supplier of the world's most energy efficient mining rigs—significantly strengthening our market position and unlocking substantial value for our customers and shareholders.

As we look to the remainder of 2025, we are fully committed to executing a successful entry into the multi-billion dollar ASIC market while also rapidly ramping our self-mining hashrate.

On slide 8 of our supplemental investor presentation, we have laid out our expectations for self-mining hashrate into Q4 of this year. Given the significant amount of power capacity we have coming online, our plan is to initially prioritize our current ASIC production towards self-

mining. We plan to energize the remaining SEALMINER A1s and 28 EH/s of SEALMINER A2s on top of our existing 8.7 EH/s of self-mining hashrate as of January 31, 2025. Therefore, upon deployment of a combined 31.3 EH/s of SEALMINER A1 and A2 machines, we expect our total self-mining hashrate to be approximately 40 EH/s. We expect to be able to deliver this with machines fully racked and energized by Q4 2025. Please note that this forecast does not include anticipated additional wafer allocations for SEAL02 or for SEAL03. Depending on the exact manufacturing schedule these anticipated additional wafer allocations could increase our self-mining hashrate well above the 40 EH/s guidance for Q4 2025.

In addition, I'd like to address the recently published U.S. Department of Commerce, Bureau of Industry and Security ruling regarding Advanced Computing Integrated Circuits. Based on our preliminary review, we do not expect that the application of the BIS Rules will have any impact on the delivery of SEAL chips, as the outsourced semiconductor assembly and test ("OSAT") companies for SEAL chips are approved "OSAT" companies under BIS regulations.

Next, I'd like to talk about our energy infrastructure and pipeline that's highlighted on slides 9 and 10 of our supplemental investor presentation. We have secured one of the largest globally diversified power portfolios in the industry with over 2.6 GWs of total power capacity. About 1 GW is scheduled to be newly energized over the course of 2025. This massive power portfolio allows us to deploy our SEALMINER machines for self-mining and also capitalize on the significant demand for HPC and AI datacenter power. Based on a 3rd party feasibility study, many of our sites are suitable for HPC and AI datacenters. In particular, our Clarington, Ohio site, is a strong contender given its near-term access to power, scale and fiber and water resources. We are actively working with leading datacenter developers on long-term partnerships for selected sites. The shortage of reliable power for AI data centers is a critical challenge for the industry, and we believe Bitdeer can play a significant role. We look forward to providing an update to our shareholders in the near future.

In summary, we made significant strides across all of our strategic initiatives to close out 2024, and we couldn't be more proud of the entire Bitdeer team. We expect 2025 to be a pivotal year as our efforts start to bear fruit, and we look forward to sharing updates on our progress.

I'll now turn it over to Jeff Laberge, our Head of Capital Markets and Strategic Initiatives to go over our financial results for the quarter.

Jeff LaBerge, Head of Capital Markets and Strategic Initiatives

Thank you Haris, before I go over Bitdeer's fourth quarter and full year 2024 results, I'd like to remind everyone that all figures I refer to today are in U.S. dollars and that all comparisons are on a year-over-year basis unless stated otherwise. I would also like to note that these results are unaudited and preliminary and we are working to file our 2024 annual report and 20-F with the SEC by the end of March 2025.

Starting with Q4 results. Consolidated revenue was \$69.0 million vs. \$114.8 million.

Self-mining revenue was \$41.5 million, down 11.5%, primarily due to impact from the April 2024 halving and higher global network hashrate. This was partially offset by an increase in our average self-mining hashrate to 8.4 EH/s from 7.0 EH/s and higher year-over-year Bitcoin prices.

Cloud Hash Rate revenue was \$2.3 million vs. \$16.2 million. This decline was primarily due to long-term Cloud Hash Rate contracts rolling off and our decision to reallocate nearly all of this hashrate to our self-mining operations over the course of 2024.

General Hosting revenue was \$8.5 million vs. \$25.2 million. Membership Hosting revenue was \$12.4 million vs. \$23.4 million. The decrease in hosting revenue was mainly due to the expirations of certain hosting contracts as well as the removal of older and less efficient machines by other hosting customers following the halving in April 2024. Compared to Q3'24,

total hosting revenue and gross profit improved by 7.2% and 106.7%, respectively, due to higher margins of profit sharing in Q4 and more efficient mining rigs.

Total gross profit for the quarter was \$5.1 million vs. \$27.0 million and gross margin was 7.4% vs. 23.5%. The decrease in our gross margin was primarily a result of the April 2024 halving and the expiration of contracts from our high margin cloud hashrate business. Going forward, as we begin to rapidly grow our hashrate with new, much more efficient SEALMINERs, we expect our margins to improve significantly — assuming all else is equal in terms of Bitcoin price and network difficulty.

Total operating expenses for the quarter were \$42.5 million vs. \$27.4 million. The increase was primarily driven by higher engineering staff and other costs related to the R&D of our ASICs roadmap and non-cash amortization expenses of intangible assets related to the acquisition of FreeChain. Sequentially vs. Q3'24, total operating expenses decreased by approximately 1%. This was primarily due to no tapeout costs in Q4, which was almost entirely offset by increases in the non-cash amortization expense related to the acquisition of FreeChain, year end bonuses, and consulting expenses for capital market activities and compliance activities.

Other net gain/loss for the quarter was a net loss of \$479.8 million vs. a net gain of \$1.1 million, due to a \$55.8 million non-cash derivative loss on the Tether warrants and a \$413.7 million non-cash derivative loss on the convertible notes issued in August and November. This loss was caused by the significant increase in our stock price during the quarter.

IFRS net loss for the quarter was \$531.9 million vs. \$5.0 million.

Adjusted profit and adjusted EBITDA for the quarter was negative \$36.9 million and \$3.8 million, respectively.

This quarter's losses were primarily due to the year-over-year revenue declines in our Cloud Hash Rate and hosting businesses, and lower gross profit margins in our self-mining business as a result of the April 2024 halving and higher R&D expenses as described previously.

Quickly touching on our full year 2024 results. Revenue was \$349.8 million, gross profit was \$66.4 million and adjusted EBITDA was \$39.4 million. A detailed breakdown of our full-year results by business line can be found in our earnings press release that was issued today.

In terms of Q4 2024 ending balance sheet, there were several notable line items that I'd like to highlight:

- Prepayments and other assets were \$310.2 million, up from \$97.1 million. This change was primarily driven by our advanced payments to TSMC for our SEAL02 mass production.
- Inventories were \$64.9 million, up from essentially zero. This mainly included wafers, chips, WIP and finished SEALMINER inventory.
- Intangible assets of \$83.2 million and goodwill of \$35.8 million are mainly from our 2024 acquisition of Norway and Freechain.
- In liabilities, derivative liabilities were \$763.9 million, which relate to the Tether warrants and August and November convertible senior notes. These are non-cash fair value adjustments driven by the significant increase in our stock price and do not impact our liquidity or operations. Under IFRS, certain derivative instruments, such as warrants and convertible debt, are required to be revalued at fair market value each reporting period. As our stock price increases, the fair value of these instruments rise, resulting in a higher reported liability. The recorded liability will ultimately be netted at settlement, either upon conversion to equity or expiration of the underlying securities, and do not represent an actual cash outflows.

With respect to liquidity, we ended the year in a strong financial position, with \$476.3 million in cash and cash equivalents, \$77.5 million in cryptocurrencies and \$208.1 million in borrowings

excluding derivatives. In Q4, we began to hold a portion of our Bitcoin mined and we anticipate to continue this strategy for the foreseeable future at management's discretion. Please note, our P&L and Adjusted EBITDA does not include any fair value gains or losses related to the cryptocurrencies on our balance sheet due to IFRS accounting rules that require cryptocurrency holdings to be accounted for on a cost basis, net of impairments rather than a fair value basis.

Moving on to our cash flow statement. Q4 2024 cash used in operations was \$325.1 million compared to \$67.1 million. This material change was primarily driven by:

- Payments of \$190.6 million to TSMC for SEAL02 wafers, which represents more than half of the required wafers for the previously announced 35 EH/s, and;
- Payments of \$52.8 million to TSMC for tapeout of SEAL03 including initial risk wafers

Please note that while the SEAL03 tapeout costs were paid in Q4 2024, they will be expensed on the Q1 2025 P&L. Further, I think it's important to highlight that our cash inflows from the sale of Bitcoin related to our Bitcoin mining business are classified in the investing section of our cash flow statement.

Net cash used in investing activities was \$10.0 million including \$48.4 million of capital expenditures for infrastructure construction and mining rigs, offset by \$38.8 million of proceeds from the sale of cryptocurrencies received from our principal business. Net cash generated from financing activities for the quarter was \$522.8 million and was primarily related to the proceeds from our convertible note issued in November and our ATM program.

In terms of our 2025 capital expenditures, we anticipate capex, including Foxcreek, Alberta to be in the range of \$340 to \$370 million and could be fully-funded by the existing balance sheet. It should be noted that this infrastructure spend assumes the sites are developed for Bitcoin mining and does not include capex for SEALMINERs used for self-mining.

Finally, I'd like to provide some context on the \$1 billion ATM shelf registration that we filed on January 3, 2025. I want to emphasize that we will continue to utilize our ATM in a disciplined

manner that we believe will add value to existing shareholders. Our management team's ownership in the company is among the highest in the industry, thus aligning our interests with shareholders.

On slide 12 of our supplemental investor presentation, you can see our ATM usage for 2024 and January of 2025. Notably, we did not begin meaningfully utilizing our ATM until the fourth quarter of 2024, when our stock price had risen significantly. As a result, our total ATM usage in 2024, plus January 2025, accounted for only 14.4% of our shares outstanding as of January 31, 2025. The primary objective of this ATM is to enhance balance sheet flexibility and provide us with the necessary liquidity to secure additional wafer allocations from TSMC, which typically requires large advance payments. This flexibility will enable us to significantly scale SEALMINER production to meet growing demand and position us to capture significant market share in the multi-billion dollar ASIC market.

Thank you everyone - that concludes the prepared remarks section of our earnings call, operator, please open the call for questions.