



HIVE

HIVE Blockchain Q4 F2020 Webcast

Prepared Remarks

September 15, 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

- I'd like to welcome everyone to today's webcast for HIVE's Fiscal 2020 financial results for the fiscal year ended March 31, 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: OPERATIONAL RESTRUCTURING COMPLETED OVER PAST YEAR

- Over the past year, we completed a transformation of our mining operations in order to improve transparency, accountability and profitability.
- We assumed 100% control of our operations from our former strategic partner Genesis and entered into new direct agreements with local providers that has resulted in a lower operating cost structure.
- At our flagship Ethereum mining facility in Sweden, we assumed control in July and transitioned all equipment and operations by November.
- At our smaller Ethereum mining facility in Iceland, we took control in June of 2020 and are transitioning now.

- Additionally, we terminated our previous cloud mining Bitcoin operations as they had become unprofitable and acquired our own operation in April 2020.

Slide 6: GROWTH INITIATIVES FOCUSED ON MAXIMIZING EFFICIENCY

- With operations now in our control, we have been focused on improving the efficiency and profitability of our mining operations:
- This includes:
 1. optimizing cryptocurrency mining output, including refurbishing some of our GPUs in Europe and investing in next generation Bitcoin miners for our operation in Quebec.
 2. lowering our direct mining operations cost structure.
 3. and maximizing our infrastructure capacity including by scaling equipment in existing facilities to leverage our fixed cost base and improve future mining margins.
- I'll now turn it over to Darcy to discuss the results of these efforts thus far

DARCY DAUBARAS

Slide 7: FINANCIAL REVIEW

- Thanks Frank.

Slide 8: IMPROVEMENTS IN MINING EFFICIENCY...

- Turning to slide 8, we generated income from digital currency mining in fiscal 2020 of \$29 million, from coin production of approximately 72,000 Ethereum, 149,000 Ethereum Classic and 2,050 Bitcoin.
- The decrease in revenues vs fiscal 2019 was primarily due to a decline in the production of Ethereum partially stemming from the shutdown of our Swedish mining operation in the first quarter of fiscal 2020, combined with a decline in the average price of Ethereum at the time it was mined.
- Our gross mining margin, which equates to our revenues minus direct operating and maintenance costs, increased both in absolute dollars and as a percentage of revenues.
- The increase was primarily due to our assumption of control of our operations in Sweden, which has resulted in a lower cost of operations than under our previous service provider agreement, combined with the termination of Bitcoin cloud mining operations after they became unprofitable in the third quarter of fiscal 2020.
- 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: RESULTED IN IMPROVED PROFITABILITY...

- Turning to slide 9
- Our Adjusted EBITDA increased significantly in fiscal 2020 to \$7.8 million vs negative \$5.0 million in the prior year driven by
 1. the improvement in our gross mining margin
 2. gains realized on investments and the sale of digital currencies
 3. and a reduction in general expenses net of foreign exchange.
- I will highlight that gross mining margin and Adjusted EBITDA are non-IFRS figures
- Net loss for fiscal 2020 was \$1.7 million vs a loss of \$137.8 million in the prior year. The improvement was driven by:
 1. the improvement in Adjusted EBITDA
 2. an impairment charge taken in fiscal 2019, and
 3. a decrease in depreciation expenses in fiscal 2020 stemming from impairments taken in the prior fiscal year

Slide 10: HEALTHY BALANCE SHEET

- Turning to slide 10, our cash position stood at \$5.1M at March 31, 2020, along with an additional \$3.5 million in digital currencies, primarily of Ethereum and Bitcoin
- We also have \$9.7 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 TODAY

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

Slide 12: HIVE's MINING FACILITIES IN STABLE JURISDICTIONS

- On slide 12, we provide an overview of our current mining operations and their power capacity in Iceland, Sweden, and Quebec, all of which have expansion capacity.
- It's important to note all of our facilities enjoy low energy costs, are situated in low temperature zones which helps keep our data centre equipment cool, and have access to fast Internet connections.

Slide 13: HIVE's MINING FACILITIES POWERED BY GREEN ENERGY

- All of our facilities are also completely powered by green energy, either renewable hydroelectricity and geothermal energy.
- This is not the case for much of our competition.
- We have recently begun participation in an EU-funded project in Sweden to achieve the world's most efficient high performance computing data centre.
- The aim is to optimize power usage effectiveness significantly, reducing energy use, and we would hope to scale our learnings from this project across our operations.

Slide 14: NEWLY ACQUIRED BITCOIN MINING OPERATION

- In April, subsequent to fiscal year end, we completed the acquisition of our own Bitcoin mining operation in Quebec.
- We have scaled up next generation mining equipment at this facility and now have approximately 3,000 miners generating 217 Petashes per second of hashpower while only utilizing about 9 megawatts of electricity.
- This makes us one of the most efficient public miners in Canada.
- As this facility has 30 megawatts of power capacity, there is still significant capacity for expansion within this facility in the coming months and years.

Slide 15: NEWLY ACQUIRED BITCOIN MINING OPERATION

- The combination of Bitcoin mining operations in Canada and Ethereum in Europe means we are the most diversified public miner, along with the only one currently mining Ethereum at an industrial scale.
- As can be seen on Slide 15, we are also one of the largest public miners globally.

Slide 16: HIVE IS THE MOST LIQUID CANADIAN LISTED MINER

- As the first publicly listed miners, we continue to enjoy the benefits of our first mover advantage.
- We are consistently the most liquid name among miners in Canada.

- As is visible on slide 16, our share price has had a historical correlation to cryptocurrency prices, notably Ethereum given our operations.
- Investors continue to use us as their way to gain entry into the space, as with HIVE, there are no money laundering concerns because we receive newly minted digital currencies, they don't need a Coinbase or other cryptocurrency account, and our shares are available to all retail investors with no minimum investment required.

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 2019 following our dispute with Genesis and some institutional selling that occurred subsequently

Slide 18: INDUSTRY UPDATE

- I'll now provide a bit of an update on the industry

Slide 19: RAMP IN ACTIVITY...

- Thus far in 2020, as seen on slide 19, we have seen an increase in activity on the largest public blockchains, Bitcoin and Ethereum
- New Ethereum addresses have increased approximately 60% and Bitcoin by 35%

Slide 20: BLOCKCHAIN SPENDING ANTICIPATED TO GROW

- We've noted this before but it is important background on the utilization of blockchain networks globally
- On slide 20, you can see IDC estimates worldwide spending on blockchain technology will increase at a 60% CAGR from 2018 to 2023 to \$16 billion
- Banking and manufacturing are the two industries anticipated to utilize blockchain technology the most, making up half of anticipated spend

Slide 21: SMART CONTRACTS IMPORTANT DRIVERS...

- Smart contracts enabled by blockchain technology are anticipated to be an important driver of blockchain adoption
- In a Deloitte survey, 95% of respondents said they see smart contracts as an important blockchain capability
- This is beneficial for Ethereum, which is a decentralized platform for smart contracts
- As you can see on slide 21, the percent of Ethereum supply in smart contracts is growing

- Currently, Ethereum ranks highest among cryptocurrency projects for user activity and project utility; Bitcoin by comparison is fifth

Slide 22: PRICE INCREASE AND DEFI HAVE DRIVEN...

- Slide 22 outlines the impact of increasing Ethereum adoption
- Thus far in 2020, Ethereum miner revenues have increased six-fold due to a combination of price increase and the increase in the amount of fees making up a percentage of miners revenues
- Such fees have been rising significantly due to the increasing use of Ethereum for decentralized finance activities

Slide 23: BITCOIN MINERS' REVENUES HAVE INCREASED...

- Bitcoin miner revenues have also been increasing since the halving May 11, but at a much more modest pace than Ethereum, of approximately 23%, as seen on slide 23

Slide 24: BITCOIN IS A DIGITAL ASSET...

- Bitcoin is a digital asset which can facilitate payments
- As seen on slide 24, the recent halving of newly minted bitcoin May 11 drew attention to the deflationary effect, as such halvings will occur every 210,000 blocks, or approximately every four years, until the maximum number of bitcoin outstanding is reached in 2140

Slide 25: BY CONTRAST, FIAT MONETARY ASSETS...

- This obviously contrasts fiat currency supplies, which are controlled generally by central banks
- The US dollar monetary base has increased dramatically over the past decade, as can be seen on slide 25, reducing the dollar's relative purchasing power

Slide 26: PREVIOUS HALVINGS OF NEW BITCOIN...

- This contrast has led to consideration of bitcoin being a store of value.
- 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

Q&A

- With that, I'll move to any Q&A.

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 Q1 fiscal 2021 financial results.