Phoenix Group PLC (PHX-AE)
Rating: Buy

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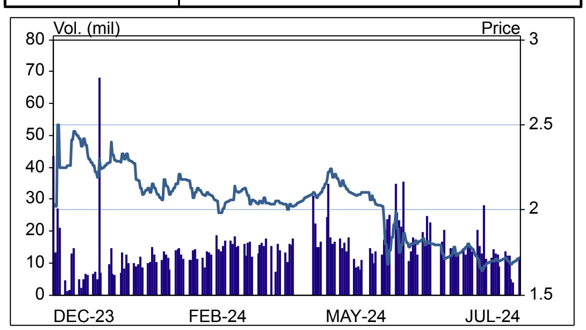
Sophisticated Wealth Exploiting the Intersection of Crypto Infrastructure and Electrical Power; Initial Coverage: Buy

Stock Data	7/29/2024
Price	AED1.72
Exchange	ADS
Price Target	AED3.00
52-Week High	AED2.56
52-Week Low	AED1.62
Enterprise Value (M)	AED10,405
Market Cap (M)	AED10,404
Shares Outstanding (M)	6,037.3
3 Month Avg Volume	15,386,909
Balance Sheet Metrics	
Cash (M)	AED15.4
Total Debt (M)	AED16.6
Total Cash/Share	AED0.00

General: This stock trades on the Abu Dhabi Securities Exchange. Phoenix reported total assets of $920M, total equity of $823M, and total digital assets of $321M as of June 30; meanwhile, the full quarter for each 2Q23 or 2Q24 has not been yet reported, and we reflect only offered figures and our estimates for those quarters. The full 2Q24 report is expected August 6. EPS may not add due to rounding. UAE Dirham trades at 0.27 per U.S. dollar as of July 29.

EPS ($) Diluted			
Full Year - Dec	2023A	2024E	2025E
1Q	0.00	0.01A	--
2Q	NA	0.01	--
3Q	NA	0.00	--
4Q	0.01	0.00	--
FY	0.04	0.03	0.01
FY P/E	43.0x	57.3x	NM

Revenue ($M)			
Full Year - Dec	2023A	2024E	2025E
1Q	81.9	68.9A	--
2Q	78.9	51.2A	--
3Q	68.7	55.8	--
4Q	58.6	59.4	--
FY	288.2	235.3	282.3



Middle East bitcoin conglomerate with a flair for crypto. We are initiating coverage of the Phoenix Group Plc, based in Abu Dhabi, UAE, a rising hotspot for cryptocurrency development. Formed in 2017 with its initial UAE mining site, and tapping UAE sovereign fund assets, Phoenix is self-mining bitcoin, hosting bitcoin miners, and targeting crypto-related investment in the Middle East region. Interestingly, Phoenix has its fingers in almost every regional mining site given it has exclusive Middle East distribution rights for both Bitmain and MicroBT mining machines—most importantly, we see the company sitting smack in the middle of local sovereign capital's access to digital asset infrastructure, and is poised to grow at rates that could eclipse its U.S.-centric counterparts as its June quarter pre-release last week reaffirming 400-500MW of additional mining capacity on the finalized contracts we think come over the next 12-18 months. An oversubscribed $370M IPO launched Phoenix into the publicly-traded realm trading on the Abu Dhabi Securities Exchange on December 5, and ardent bitcoin mining followers have borne witness to the spread of its crypto-investment tentacles in other crypto mining sites, such as the 240MW Citadel Technologies Abu Dhabi site and the 150MW Green Data City site in Oman as well as software and services, such as the M2 Exchange, an Abu Dhabi-based crypto exchange, and Lyvely, an online profile creation and management tool for influencers and others. At our last count, Phoenix touched almost 3.0Eh/s in self-mining, 4.0Eh/s in hosting, and 8.0Eh/s through investments, combining for 15.0Eh/s, about even size wise with Core Scientific's (CORZ; Buy) self mining effort. Most compelling from an investment point, we think, is the 'powerful' combination of available funding addressing highly seasonal Middle East power consumption where electricity needed to run air conditioning during the summer months goes unused during the winter. Contrary to common thinking, one nuclear power plant is in operation and multiple solar farms are operating or evolving. Desalination also consumes tremendous power resources, but flexible bitcoin mining load creates an ideal complement for renewable energy infrastructure development. We are starting off our coverage of Phoenix with a Buy rating and AED3.00 price target. Accompanying this note is a brief industry update *here*.

Staggering growth blitz—stock catalysts in new deployment announcements. Since mid-year 2023, Phoenix has been on an expansion tear, striking a $300M, 150MW mining facility deal in Oman, raising $370M in a late-Nov. IPO, signing a $380M MicroBT equipment deal in December, and a $187M Bitmain deal early January. While deal details are scant, we estimate $567M worth of next-gen mining equipment yields between 33-40Eh/s of brand-new, efficient hash, demanding 720-750MW, and placing Phoenix right up against the largest miners we know, once deployed. Those timelines were not made clear either outside of targeting 20-30Eh/s by mid-to-late 2025. Our *modus operandi* excludes new hash rate without accompanying available, contracted plugs, and as such our estimates include only what Phoenix has up and running at the moment as a base, with the addition of roughly 4.0Eh/s through the end of this year into 2025.

For definitions and the distribution of analyst ratings, analyst certifications, and other disclosures, please refer to pages 11 - 13 of this report.

New to our list, and the company rates high on our credibility evaluation, while stock discounts growth trajectory. Offering a conservative outlook at first and consistent with our perception of the apparently depressed overarching market view, we believe the upside lies in Phoenix's managed power ballooning to 1.2-1.3GW over the next 12-24 months as contracts come to fruition and facilities are energized. Meanwhile, our argument centers on the key aspect of capital. Digital assets have moved beyond the “imagination” phase with institutional money addressing investment opportunity in both bitcoin and Ethereum ETFs, and we see capital in the Middle East also moving to exploit that opportunity, where we believe Phoenix is ideally positioned for self-mining, hosting, and alternative digital-related investments. Given that many of the company's investments are still incubating this year, we intend to watch those carefully, but for now, have excluded contribution to revenue this year. In examining 2023 results compared to 2022, note that a one-time trading contract contributed $514M to boost revenue that when excluded to show apples-to-apples comparisons, 2023 sales improved approximately 20%. Trading, i.e., mining equipment sales, remains the wild card going forward given unpredictability, and we have included a $20M quarterly contribution at roughly 30% gross margin through end-2025.

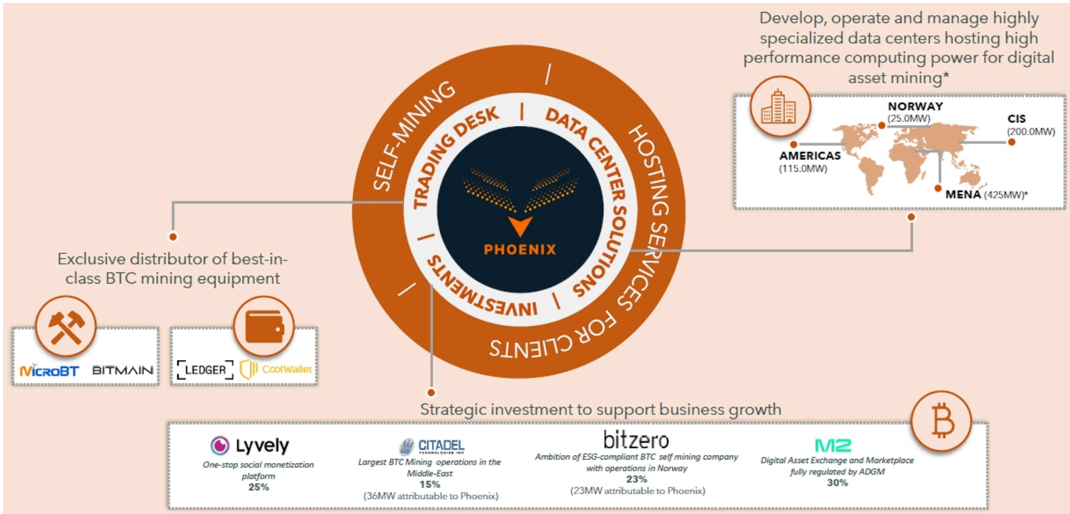
Eschewing wordy company descriptions, the company's presentation is a sufficient crutch. Since 2017, Phoenix Group has evolved as a leader in developing crypto-focused datacenters, while putting investor capital to work in other aspects of the cryptocosm, including trading and alternative investments. Four segments of the company's operation, detailed in the graphic below, point to its diversity and growth opportunities as the crypto space expands.

Broad Crypto-Centric Operations Are Geographically Disperse

Source: Phoenix corporate presentation 2023-24.

In bitcoin mining, Phoenix has a touch on 16Eh/s through 28,000 miners self-mining and roughly 90,000 either hosted or “invested” mining machines targeting 765MW of drawn power by year-end 2024, including the 150MW site in Oman and additional sites coming online in the U.S. this year. Current power consumption stands at 527MW at 5.45 cents/kWh, with roughly 90MW supporting 3.0Eh/s of self mining, 140MW supporting 4.4Eh/s of hosted mining, and the balance falling in the investment segment, where Phoenix has key investments in Citadel Technologies and Oman's Green Data City site, as referenced earlier, as well as 20% ownership in Bitzero, a Vancouver-based, ESG-infatuated, BTC self-mining company with operations in Norway and 5.8MW attributable to Phoenix. As noted, Phoenix hosts roughly 4.4Eh/s of bitcoin mining, providing rack space, power, connectivity, and day-to-day maintenance for thousands of mining rigs. Phoenix's trading enterprise has two unrelated constructs: (1) exclusive reseller of MicroBT and Bitmain mining rigs in the Middle East and Africa; and (2) an Abu Dhabi-based, full-service crypto exchange providing digital asset access. The following graphic illustrates Phoenix Group's various crypto endeavors come together.

Business Model Spans Multiple Cryptocentric Functions

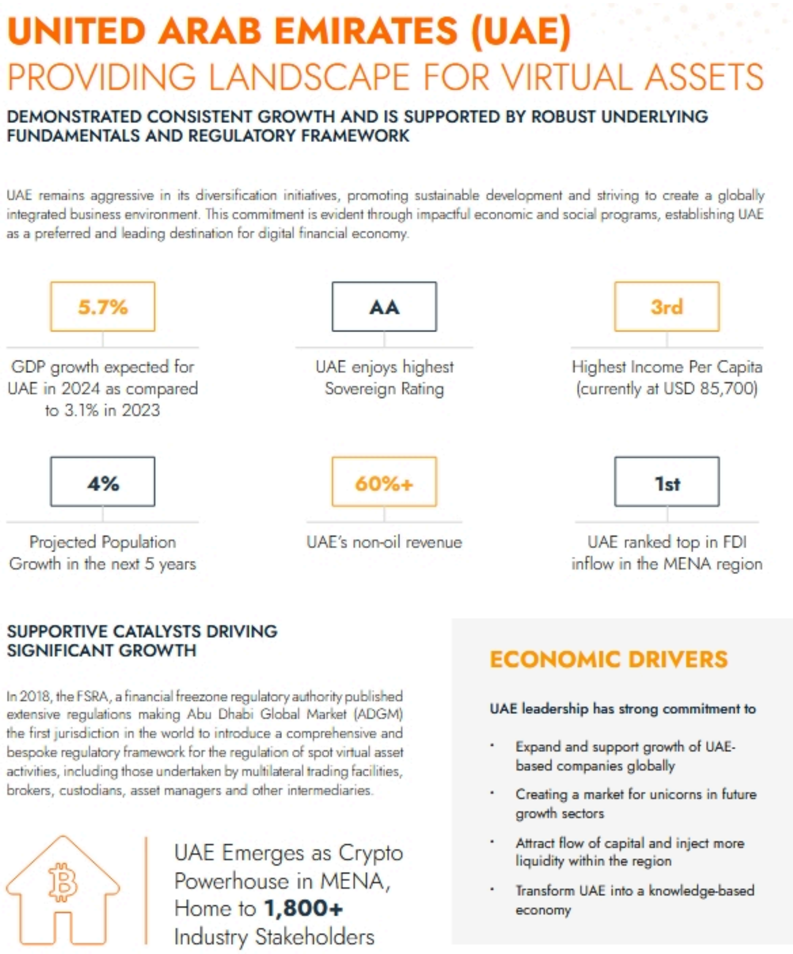


Source: Phoenix corporate presentation 2023-24.

Indigenous to the Middle East. We think there are inherent advantages to Phoenix's operating geography. While heat dissipation certainly does not rank high in that particular area, access to capital, abundant capital, we think helps facilitate the expansion of a notoriously capital intensive business bitcoin mining is. Further, the company is not stuck in a mining-exclusive mindset, open to exploring other crypto-centric business lines and making investments to pursue them. Operating in the United Arab Emirates since 2017, Phoenix has secured ties to high and ultra-high net worth individuals wanting exposure to crypto in the diversified form that Phoenix' broad businesses provide, and we estimate that outside the 42% ownership of Agora SPV, SPAC-related ownership and insiders, roughly 20% of the company is owned by various investment vehicles representing the high-net-worth individuals in the region. Relationships are key, we think, to placing Phoenix in the middle of bitcoin mining development in the U.A.E., including its spearheading the development and management of one of the largest bitcoin mining farms in the region, Citadel Technologies. Abu Dhabi's International Holding Company (IHC), has established a new holding company, 2PointZero, not to be confused with Abu Dhabi-based Zero Two with which one of the largest U.S. mining companies has structured a joint venture, is said to have as much as $27 billion in assets to bring to the crypto mining space. IHC recently acquired a 10% stake in Phoenix Group, managing the Citadel Project, that is recognized as the Middle East's largest crypto-mining facility that reported $27 million in revenue and $740 million in assets in 2022.

United Arab Emirates' free zones. Created to attract international investment, the UAE offers investors, companies, and entrepreneurs more than 40 free zones under the auspices of British Common Law, not the law established by the UAE. The construct allows for 100% ownership, 100% repatriation of capital, 100% exemption from corporate and income taxes, and 100% exemption from customs duty for operations in those zones while subject to all-important property rights held under British Common Law—the legal structure provides investors a higher level of security in knowing there is familiar legal recourse. Meanwhile, UAE locations provide access to sophisticated, industrial infrastructure and local labor pools, the employment of whom benefits the established zones. For Phoenix, the structure has all but eliminated taxes for the near term given many of its operations are established in free zones plus under UAE law, Phoenix is a growth company, with no intention to issue dividends, and as such, we have modeled no paid taxes for the foreseeable future. Should the company recognize a surprisingly high income benefit, there is a chance Phoenix may opt to pay a dividend that would be subject to tax, but we are not forecasting that possibility. Meanwhile, there are many other benefits to the company's chosen jurisdiction, where access to capital and demand for crypto and tech investment is high, as depicted in the graphic below and culminating in the dialog box at the foot noting the UAE's emergence as a crypto powerhouse. That interest alone supports our target $80 million in annual rig sales through its Bitmain and MicroBT distribution agreement.

Location, Location, Location—UAE Economic and Commercial Mindfulness



Source: Phoenix 2023 annual report.

Crypto-friendly regulatory environment. Hand-in-hand with UAE's economic principles goes its regulatory thinking. The UAE's positive outlook on digital assets from both a regulatory and compliance perspective have spurred growth and has led to forward positioning within the realm of global regulation. The commercial stance has drawn an influx of crypto companies and developer talent that in turn has led to spearheading innovation, building a self-supportive circle of pro-crypto development that importantly leads to value creation. We believe Phoenix benefits from the combination of economic forward thinking and a constructive regulatory standpoint. Coincidentally, the USE Central Bank approved a plan on June 3 for stable coin regulation paving the way for the country to have a regulatory framework for stable coin issuance. The central bank in the UAE has regulatory authority over dirham-back cryptocurrencies. The move could set a course for other markets to follow.

Scenic Night Scape and Backdrop for Global-Leading Stable Coin Regulation

Source: Elliptic.

Founded in 2017, but emerged on the public markets' scene in 2023. While trading on the Abu Dhabi Securities Exchange exclusively for now, we believe Phoenix represents what we expect to see much more of during the current, fifth bitcoin halving epoch, namely the accelerated development of hash rate globally as the interplay between mining and energy increases in sophistication. As extracting value from mining becomes harder on account of deployed network hash, or increased mining competition, as pitted against the deployment of evermore efficient mining rigs, the cost of energy consumed in mining becomes an even greater hurdle. Miners' search for stranded, low cost energy may leave no stone unturned across the globe. In recognizing Phoenix power costs as comparable versus industry brethren at about 5.45 cents per kWh, we cannot make a hard case for a geographic benefit in power costs, but we see other geographic attributes providing some competitive advantage, beyond tax advantages both in the UAE and its free zones, as discussed above. One is access to and availability of capital; Phoenix client and investor base includes ultra-high net worth and high net worth individuals and the funds those people control. There is no shortage of capital plying new tech investments in the UAE, and we leave that as common understanding versus taking the time to proving it outright, but examples sit with Phoenix's own investments in Oman's datacenter play in the $1.1 billion, 800MW build of Green Data City operating the first license for crypto mining offered in the jurisdiction. Per the project plan, the initial phase is a 200MW mining facility that should be completed some time this year, followed by a 400MW hyperscaling facility to address high-performance computing opportunities. As noted above, Phoenix is a 15% owner of Citadel Project. Our point being that the balance, the non-Phoenix owned, was capitalized primarily by locally sourced funds looking for a home in blockchain, datacenters, and new technology. Next is an overall business-friendly climate supporting new endeavors, even blockchain-based, as opposed to the apparent antithesis in anti-crypto states such as New York.

Certainly Not Crypto Neophytes

Source: Phoenix 2023 annual report.

Mining equipment distribution rights. Per the timeline above, Phoenix was granted exclusive distribution rights on Bitmain equipment in 2019. Phoenix Computer Equipment Trading, a wholly owned Phoenix subsidiary, proudly holds the distribution rights for industry leading technology hardware brands and accessories—bitcoin mining equipment and crypto-wallets—with MicroBT's WhatsMiner, for exclusivity rights across the UAE, Gulf Cooperation Council (GCC) countries, Egypt, Turkey, and Kenya, which offers Phoenix some competitive leverage in equipment sourcing. Equipment sales contributed roughly $29M in 1Q24, but in our conservative take, we have forecast a quarterly run rate of $20 million going forward. Strengthening our stand are the relationships Phoenix manages across the UAE where high-net-worth individuals have exhibited great interest in building bitcoin mining activities such that our assumptions could prove conservative. But in light of poor visibility and no vision into established purchase contracts, coupled with expected volatility, our assumption could prove aggressive.

International Holding Company's new holding company portfolio, 2PointZero. As an Abu Dhabi investment company, IHC has a 10% stake in Phoenix Group at our last check. Phoenix manages Citadel Technologies whose bitcoin mining facility is recognized as the Middle East's largest. While we do not have access to more recent data, Citadel generated roughly $27 million (AED 100M) from an asset base of $740 million (AED 2.7B) in fiscal year 2022. Further and importantly, 2PointZero, a $7 billion (AED 27B) fund launched late last year controlled by IHC, owns a controlling stake in Citadel versus Phoenix' 15% ownership, and Citadel represents one of six companies in the 2PointZero fund. We thought including these figures would shed some light on the vast pools of capital applied to technology and artificial intelligence as 2PointZero was “founded with the ambition to lead in financial services, investment banking, technology, [and] AI.”

Spearheading bitcoin mining; becoming the local experts. The topic of technical engineering skill and its application has often arisen in discussion of new mining site development over the past six years we have been watching the industry evolve. Going back six years, where there was one publicly traded company building a farm for 8,000 Antminer S9s, or roughly 120Ph/s, against a network of 25Eh/s at the time, few sites were designed specifically for bitcoin mining from the ground up. In the case of this Oklahoma site, an old warehouse was re-purposed, a hot aisle fashioned, and roof exhausts installed. It seemed to be a good plan at the time, but it wasn't long before rigs were shut down there and new ones employed at Coinmint. Other miners followed a similar path in using existing structures to host mining machines. Mining pods, fashioned from shipping containers originally, then functionally constructed “pods,” fell into greater use with a public company in Canada leading investors to their advantages. The advent of much larger buildings built from scratch and consuming as much as 100MW each, as compared to 1MW pods, have become the *de facto* standard of late with a leading Texas-based miner showcasing its new 300MW site in the form of large buildings versus independent pods. Through the evolution, there was no hard coded recipe, and miners learned from trial and error, or in some cases, jumping in head first. All this to say that Phoenix's 2017 early entrance in self mining back and involvement with leading infrastructure builds in the Middle East position it well within the context of experienced bitcoin miners, especially in the Middle East. And we continue to be champions of the argument supporting technical skill, mostly acquired through experience, in building bitcoin mining sites. As such, we have included financial details of Phoenix's financial involvement with Cidadel, illustrating its $118 million investment.

Substantial Investment in Cidadel Highlights Holdings

The balance of investment in associates in the consolidated statement of financial position as at 31 December 2023 and 31 December 2022 are as follows:

	2023 USD	2022 USD (unaudited)
Investment in Bitzero Blockchain Inc. (Bitzero)	-	28,946,795
Investment in Citadel Technologies Group LLC, UAE (Citadel) – *note i*	**117,569,776**	-
Investment in Lyvely FZE (Lyvely)	**2,740,250**	-
Investment in M2 Holdings Limited, UAE (M2)	-	30,000
	120,310,026	28,976,795

The Group's interest in the associates are accounted for using the equity method in the consolidated financial statements, and the movement is as follows:

	2023 USD	2022 USD (unaudited)
At 1 January	**28,976,795**	–
Additions		
• Bitzero	–	28,946,795
• Citadel	**104,966,600**	–
• M2	**1,277,457**	30,000
• Lyvely	**3,000,000**	–
Share of loss	**(6,013,789)**	–
Share of other comprehensive income	**13,199,451**	–
Provision for impairment of investment	**(25,096,488)**	–
At 31 December	**120,310,026**	28,976,795

Source: Phoenix Group Directors' Report for December 31, 2023.

A brief look at what could happen here. As we best understand Phoenix' growth trajectory, next year should showcase the effort in expanding hash this year, where the company's 16Eh/s should expand to roughly 20Eh/s and potentially beyond. We are including that growth in our projections as self-mining hash, but ultimately some of it could shift to hosting and next year's total hash rate could approach 30Eh/s. However, behind the scenes, we imagine there is much more going on, including perhaps doubling the company's live power capacity from 527MW to more than 1GW. We expect the June quarter call, sometime in mid-August to help define growth expectations for the balance of this year and most of next year. It is this expectation derived from the company's commitment to growth and its execution, that we are most excited about. Per our standard procedure in handling forecasts, we have not included potential from deals that have not been consummated, including contracted machines and power agreements, and as such, our 2025 estimates are based on the mining figures Phoenix has offered thus far through 2024. But our point is that we see our view as conservative, and we believe new initiatives should become public incrementally.

Our projections. In recognizing that information flow between the UAE and U.S.-domiciled analysts is far from perfect, we have discounted the contribution Phoenix' software initiatives might contribute to sales over the mid-to-longer term, and have held bitcoin self-mining expansion in check by recognizing only 4Eh/s of growth to a total of 6.9Eh/s installed by the end of the June quarter next year, up from its current self-mining hash rate of 3.0Eh/s, which combined with 4.4Eh/s of hosting and 8.4Eh/s of "investments" draws Phoenix' exposed bitcoin hash rate to 16Eh/s. We understand the company has other developments which should come to light over time, as we have alluded to previously. Considering all that, we have some faith that we prepared our outlook thoughtfully, but believe there remains considerable room for error as Phoenix reports its sales and earnings going forward. As such, we have set our FY24 sales estimate at $242.0 million, down 16% from FY23's report of $288.2 million, an anomaly as Phoenix recognized one-time trading benefit last year. For 2025, we have $282.3 million in sales forecast, flattish with 2023 levels but showing a 17% increase over 2024.

Starting off with a Buy rating and setting an AED3.00 price target. So, why do we think the stock climbs 75% from here? At roughly AED10.2 billion in market cap, or roughly $2.8 billion, we think the stock discounts the company's growth trajectory we suggest is most likely not fairly represented in our own projections. Our AED3.00 per-share price target represents 17.4x enterprise-to-sales ratio on our 2025 sales estimate of $282.3 million, a multiple that is full relative to many of the bitcoin mining segment, but perhaps not showcasing the company's expansion and depth of business model in not being entirely reliant on bitcoin mining. Meanwhile, that multiple potentially declines as new Phoenix growth initiatives come to light over the next six-to-nine months. Interestingly, many of the projects in which Phoenix is invested have just begun to get off the ground, and perhaps more importantly, the commitment that Phoenix's investors have shown to the opportunity that blockchain-based technology, artificial intelligence, and increased connectivity suggests that Phoenix should continue to see an inflow of capital to both fund its own projects and invest in adjacent opportunities. We would judge investment risk levels higher than most mid-cap companies primarily on account of the inherent volatility in crypto but note other investment risks: failure to continue to operating mining sites efficiently as is often seen in the bitcoin mining industry, and potential dilution, among a host of others presented in the company's 2023 annual report.

Phoenix Group Plc. (UAE)

Quarterly Earnings Model
($ millions, except per share data)

7/30/2024 FY Ending 12/31: PHX.ADS	12/30/23A Q1A 3/31	Q2A 6/30	Q3A 9/30 (9 mos)	Q4A 12/31	YEAR 12/31/2023	12/30/24E Q1A 3/31	Q2A 6/30	Q3E 9/30	Q4E 12/31	Estimate YEAR 12/31/2024	Estimate YEAR 12/31/2025
Revenues	$81.9	$78.9	$229.5	$58.6	$288.2	$68.9	$51.2	$55.8	$59.4	$235.3	$282.3
Direct costs	53.4	52.5	153.4	45.9	199.3	45.7	33.7	41.5	43.7	164.4	206.8
Gross profit	28.6	26.3	76.1	12.8	88.9	23.3	17.6	14.3	15.7	70.9	75.5
Operating Costs											
Other income	(1.5)	(6.0)	(10.2)	(29.3)	(39.5)	(6.0)	(6.0)	(6.0)	(6.0)	(24.0)	(24.0)
Selling and distri exp	0.1	0.2	0.3	3.0	3.3	0.2	0.2	0.2	0.2	0.8	0.8
Administrative exp.	3.2	6.0	17.1	18.2	35.3	6.4	6.0	6.0	6.0	24.4	24.0
Other opex.	0.0	(17.3)	0.0	3.3	3.3	18.9	2.1	2.0	2.0	24.9	8.0
Total opex	1.8	(5.1)	7.2	(4.8)	2.4	19.5	14.3	2.2	2.2	26.2	8.8
Operating Inc.	26.8	31.4	68.9	17.6	86.5	3.8	3.3	12.1	13.5	44.7	66.7
Share results frm assoc.	(1.8)	(2.0)				2.8	3.0	4.0	5.0	14.8	20.0
Finance costs	(0.1)	(0.1)	(0.2)	0.2	(0.1)	(7.2)	(0.8)	(0.8)	(0.8)	(9.6)	(3.2)
Gain/loss fin assets FVTPL	(0.0)	4.0	75.8	(5.3)	70.4	73.4	55.1	0.0	0.0	128.5	0.0
Gain reval PPE	0.0	0.0	0.0	50.9	50.9	0.0	0.0	0.0	0.0	0.0	0.0
Forex	0.0	0.0	(0.1)	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
Total non-op. exp.	(1.9)	2.1	75.4	45.8	121.2	68.9	58.9	3.2	4.2	133.6	16.8
Pretax Income	24.9	23.3	144.3	63.3	207.7	72.7	61.6	15.3	17.7	178.3	63.5
Taxes	0.0	0.0	0.0	0.0	0.0	6.5	5.5	0.0	0.0	12.0	0.0
Non-cont. int.	0.0	0.0	(0.0)	13.2	13.2	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	24.9	23.3	144.3	76.5	220.9	66.2	56.1	15.3	17.7	166.3	63.482
EPS	**$0.00**	**$0.00**	**$0.02**	**$0.01**	**$0.04**	**$0.01**	**$0.01**	**$0.00**	**$0.00**	**$0.03**	**$0.01**
Outstanding Shares	5,140.0	5,140.0	6,048.8	6,048.8	5,234.9	6,048.8	6,048.9	6,048.9	6,049.0	6,048.9	6,049.1
MARGIN ANALYSIS											
Gross Margin	34.9%	33.4%	33.2%	21.8%	30.8%	33.8%	34.3%	25.7%	26.5%	30.1%	26.7%
G&A % sales	4.0%	7.9%	7.6%	36.2%	13.4%	9.6%	12.1%	11.1%	10.4%	10.7%	8.8%
Op. Exp. % sales	32.7%	39.8%	30.0%	30.0%	30.0%	5.4%	6.4%	21.7%	22.8%	19.0%	23.6%
Operating Margin	32.7%	39.8%	30.0%	30.0%	30.0%	5.4%	6.4%	21.7%	22.8%	19.0%	23.6%
Pretax Margin	30.4%	29.5%	62.9%	108.0%	72.1%	105.5%	120.4%	27.5%	29.9%	75.8%	22.5%
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	9.0%	8.9%	0.0%	0.0%	6.8%	0.0%
Net Margin	30.4%	29.5%	62.9%	130.5%	76.6%	96.0%	109.6%	27.5%	29.9%	70.7%	22.5%
PERCENT CHANGE											
Total Sales						-15.9%			1.3%	-18.3%	20.0%
Cost of Revs						-14.4%			-4.8%	-17.5%	25.8%
Gross Profit						-38.6%			455.7%	-100.0%	-100.0%
Operating Exp.						258.0%			-224.6%	928.6%	-8.3%
Operating Income						-86.0%			-22.9%	-48.3%	49.1%
Pretax Income						192.2%			-72.0%	-14.1%	-64.4%
Net Income						165.9%			-76.8%	-24.7%	-61.8%
Share Count						17.7%			0.0%	15.5%	0.0%
EPS						126.0%			-76.8%	-30.7%	-61.8%
Sequential Sales Growth						17.5%			6.5%		

Note: For 2Q23 and 2Q24, we show our estimates in blue--full quarter was not reported for each.

Source: Co. reports and H.C.W. estimates.

Balance Sheet					
($'s Mil)	12/30/2023				12/30/2024
	Q1A	Q2A	Q3A	Q4A	Q1A
	3/31	6/30	9/30	12/31	3/31
Non-Current Assets					
PPE	Unavailable	Unavailable	$94.2	$104.0	$112.6
Right of use			0.7	0.7	0.6
Investments			43.2	0.0	0.0
Investments in assoc.			28.9	120.3	67.9
Intangible			0.0	0.0	0.0
Other curr assets			0.0	0.0	0.0
Total Non-Current Assets			167.1	225.0	181.1
Intang/dig. assets			76.6	140.0	273.2
Due from rel parties			4.1	0.0	0.1
Inventories			81.1	73.3	83.4
Trade receivables			31.1	33.1	36.5
Advances, dep.			32.6	164.5	289.6
Cash and bank bal			1.5	198.2	15.4
Total Assets			$394.1	$834.0	$879.3
Total equity			278.5	697.1	774.4
Non-Current Liabilities			278.5	697.1	774.4
Lease liabilities			0.5	0.4	0.4
Bank borrowings			3.6	3.6	3.5
Employees' benefits			0.3	0.9	0.9
Other non-current			0.0	0.0	0.0
Total Non-Current Liabilities			282.9	701.9	779.2
Current liabilities					
Lease liabilities			0.1	0.3	0.3
Due to related parties			44.7	54.7	0.7
Bank borrowings			0.2	0.2	12.4
Trade and other liabilities			66.2	77.0	86.7
Total Liab. & Equity			$394.1	$834.0	$879.3
Cash & marketable securities			$1.5	$198.2	$15.4
Change in cash (QoQ):			*1.5*	*196.7*	*15.4*
Cash per share			$0.00	$0.04	$0.00
Debt			48.4	58.4	16.6

Source: Company reports.

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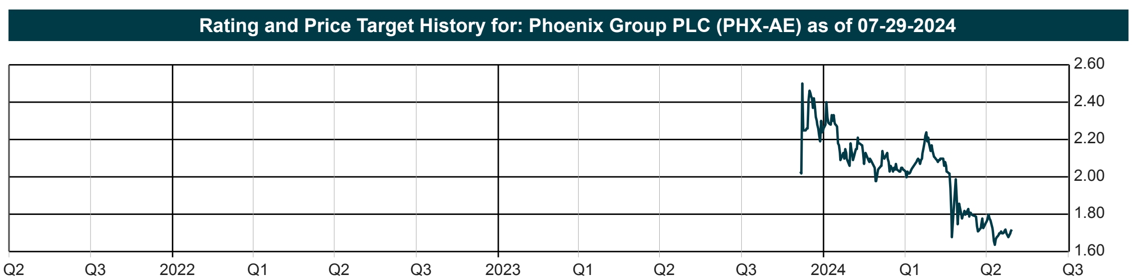
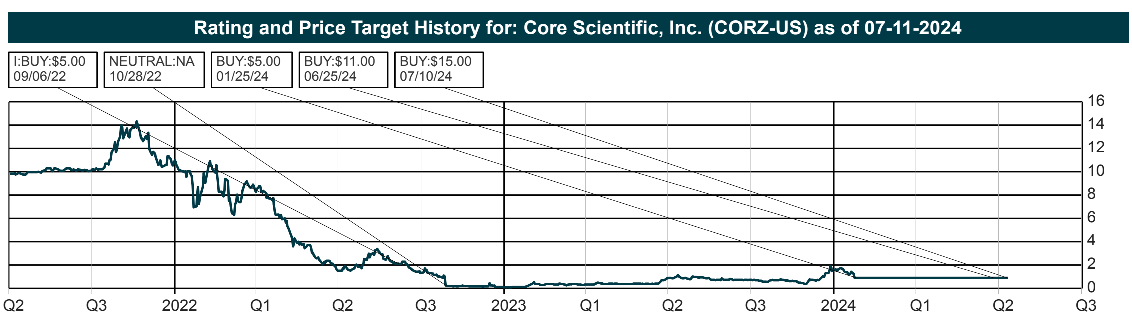
RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.





Related Companies Mentioned in this Report as of July/29/2024					
Company	Ticker	H.C. Wainwright Rating	12 Month Price Target	Price	Market Cap
Core Scientific, Inc.	CORZ-US	Buy	$15.00	$NA	NA

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Distribution of Ratings Table as of July 29, 2024				
			IB Service/Past 12 Months	
Ratings	Count	Percent	Count	Percent
Buy	556	87.97%	132	23.74%
Neutral	69	10.92%	4	5.80%
Sell	1	0.16%	0	0.00%
Under Review	6	0.95%	1	16.67%

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