

# RIOT BLOCKCHAIN, INC.

## Equity Research Flash Note

VRS (Valuation & Research Specialists) - VRS International S.A.



**VRS (Valuation & Research Specialists)**  
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Share Price (06/12/2021)	€ 28.14
# of Shares (mn)	115.94
Market Cap (in € mn)	3,263
A.D. Volume (p)	19,832,814
Beta Co-efficient	1.692
<b>Statistical Data</b>	
Max 52 week, €	77.9
Min 52 week, €	8.51
1-M Rtn	-11.79%
6-M Rtn	3.72%
12-M Rtn	230.67%

Source: VRS Calculations, Reuters.  
Period as day/month/year.

## Stock Price Performance & Transaction Volume

(1 year, in € and in number of shares)



Note: Share price performance based on share price closes on Stock Exchange.  
Period as day/month/year.

## Riot Blockchain, Inc.

Listed on Nasdaq Capital Market, New York City, U.S.

[Bloomberg Ticker: RIOT:US] [Reuters Ticker: RIOT.A]

**Business Sector / Industry: Technology / Software & Tech Services**

### Corporate & Investment Highlights

- Riot Blockchain Inc. (NASDAQ: RIOT) is one of the leading Nasdaq publicly traded cryptocurrency mining companies operating in North America. The company has made the strategic decision to focus its efforts on mining bitcoin by deploying special cryptocurrency mining computers (known in the industry as "miners") designed to mine for bitcoin, generating substantially all its revenue through the cryptocurrency mining operation. It is noted that company's business is heavily dependent on the spot price of bitcoin.
- Total mining revenue increased by 76.7% on a year-over-year basis to \$12 million in 2020, as compared to \$6.7 million in 2019, while total mining costs increased by only 3% on a year-over-year basis to \$6.3 million in 2020, as compared to \$6.1 million in 2019. Similar upward trend showed in all profitability indicators in 2020 (EBIT, EBT, EATAM), which are expected to reach positive values in 2021. Overall, considering the rapid increase in the price of bitcoin, the main cryptocurrency that the company mines, as well as the increase in the company's hash rate (total computational power being used to process transactions and mine new coins), a major increase in company's profitability is expected for 2021. In these grounds, the estimated of revenues for 2021 ranges around €205mn while for the first nine months of 2021 were €108mn.
- EATAM for 2020 was -\$12.7 million, or -\$0.30 per share, compared to -\$20.03 million, or -\$1.02 per share in 2019. We expect for 2021 EATAM to increase to a record high \$35mn mainly due to the increasing market prices for bitcoin, taking also into account that for the first half of 2021 EATAM stood at €26mn. For 2022, the company has stated that in order to stay competitive in its evolving industry it will continue to expand its mining capacity.
- Capital Expenditures (Capex) amounted to €41mn in 2020, compared to €6mn in 2019. During the first half of 2021 Riot surpassed its previous year Capex and has already spent \$92mn for that purpose. According to our estimates the Capex for 2021 will range around \$200mn, in line with company's strategic plan for continuing to expand its existing miner fleet by purchasing the latest generation of miners, as well as innovating to develop and implement new technologies and mining solutions.
- Riot's EBITDA for 2020 improved to -\$8mn from -\$20mn in 2019. During the first nine months of 2021 EBITDA stood at \$36mn, compared to -\$14mn during the same period of 2020, resulting mainly from the significant increase in company's revenues, since the number of bitcoins owned on the Company's balance sheet more than doubled, ending with 1,078 bitcoins as of December 31, 2020, compared to 514 as of December 31, 2019. Based on these considerations, we expect EBITDA to range around \$62mn at the 2021 year-end.
- The company has not used debt financing in 2020 and 2019. Also, based on the results published for the first half of 2021, the company has not any long-term debt outstanding. In this vein, we expect that the company will not make use of debt till the end of 2021. On the other hand, the company makes extensive use of equity financing, with total stockholder's equity significantly increased to \$257mn in 2020 compared to \$23.8mn balance as of December 31, 2019.
- During 2020, the company also achieved a series of important milestones. More specifically, the company relocated 100% of its mining operations from Oklahoma City, OK to Coinmint LLC's Massena, New York colocation facility to decrease costs of production. Also, the company invested heavily in cryptocurrency mining equipment (33,646 Bitmain S19, S19 Pro and S19j Pro Antminers) which, when fully installed by the fourth quarter of 2021, is expected to achieve an estimated aggregate bitcoin mining hash rate capacity of 4.0 EH/s (ExaHash). Additionally, in 2020 the company deployed hash rate capacity to 566 PH/s (PetaHash), a 460% increase from 101 PH/s as of December 31, 2019.

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- The trend of increasing market prices for bitcoin and other major cryptocurrencies has resulted in an increase in the scale and sophistication of competition in the cryptocurrency mining industry, with new entrants and existing competitors gaining access to substantial capital resources to build larger and larger mining operations. Despite this trend, the company believes, based on available data and assuming full deployment of the miners it has ordered, that it will continue to maintain a competitive hash rate capacity among both public and private bitcoin miners.
- In order to stay competitive in its evolving industry, the company has prescribed its strategic priorities for 2021, including the successful execution of the disclosed miner purchase orders of 35,146 Bitmain S19 generation Antminers, as well as the advancement upon the Company's strategic R&D alliance and 8 MW pilot project with Enigma Digital Assets AG and Lancium LLC to test the latest generation bitcoin miners combined with utilizing innovative immersion cooling technologies. Also, the company will continue to monitor additional opportunities for miner procurement and hash rate growth, as well as to evaluate additional initiatives to decrease costs of bitcoin production.

### Consolidated Annual Financial Results (2020 versus 2019, \$ millions)

( In \$ millions)	2020	%	2019
Sales	108	1511.03%	7
Gross Profit	62	2314.45%	3
EBITDA	36	-360.76%	-14
EBT	15	-191.98%	-17
EATAM	12	-169.49%	-17

Source: Company. Note: Fiscal Year ends on December 31<sup>st</sup>.

### 3<sup>rd</sup> Quarter Financial Results (9M 2021 versus 9M 2020, \$ millions)

( In \$ millions)	H1 2021	%	H1 2020
Sales	58	1229.6%	4
Gross Profit	37	2394.94%	1
EBITDA	35	-362.89%	-13
EBT	31	-305.80%	-15
EATAM	27	-280.72%	-15

Source: Company

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# Company Update

**FLASH NOTE**  
December 6, 2021

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### BASIC FINANCIAL INDICATORS

(in \$ mn)	Sales	EBITDA	EBT	EATAM	P/E (x)	P/BV	EV / EBITDA	DEBT / EQUITY (x)	ROE
2013	0.1	-12	-12	-12	-268.6	251.9	-278.9	0.2	-93.81%
2014	0.2	-10	-10	-10	-312.4	137.7	-324.9	0.1	-44.09%
2015	0.1	-8	-9	-9	-372.5	203.0	-388.2	0.1	-54.49%
2016	0.0	-4	-3	-4	-763.6	218.7	-901.2	0.0	-28.64%
2017	0.3	-14	-18	-20	-163.4	66.8	-225.7	0.0	-40.87%
2018	7.8	-55	-61	-60	-54.2	563.8	-59.5	0.3	-1040.49%
2019	6.8	-20	-20	-20	-160.7	124.3	-162.3	0.0	-77.37%
2020	12.1	-8	-13	-13	-257.6	11.8	-368.0	0.0	-4.57%
2021E	205.4	62	39	35	93.4	6.3	51.4	0.0	6.69%
2022E	349.1	94	59	52	62.3	3.9	34.3	0.0	6.20%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price and current outstanding number of shares. Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. n/c stands for non-calculable.

### Working Capital Ratios

(in \$ mn)	2017	2018	2019	2020	2021E	2022E	
Sales	0	8	7	12	205	349	
Cost of Sales	0	6	6	6	72	157	
Gross Profit Margin	%	90.66%	25.81%	10.82%	48.26%	65.00%	55.00%
Net Income / Profit		-20	-60	-20	-13	35	52
Net Profit Margin	%	-7406.05%	-767.53%	-296.96%	-104.85%	17.00%	15.00%
Cash & Cash Equivalents	42	0	7	223	98	29	

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### Stock Days

Days	0	0	0	0	0	0
Stock Inventory	0	0	0	0	0	0

### Debtors Days

Days	0	0	0	0	0	0
Debtors - Receivables	0	0	0	0	0	0

### Creditors Days

Days	5,942	240	43	42	42	42
Creditors - Suppliers	0.41	3.83	0.72	0.72	8.26	18.05

### Operating Cycle (Days)

Days	0	0	0	0	0	0	
Cash Cycle (Days)	Days	-5,942	-240	-43	-42	-42	-42

Source: Official Consolidated Financial Statements, VRS Estimates & Calculations. Gross profit is calculated by deducting cost of sales (net of depreciation, wherever applicable) from revenues.

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### Shareholders' Structure

The Vanguard Group, Inc.	8.06%
Susquehanna Financial Group LLLP	2.81%
Renaissance Technologies LLC	2.21%
SSgA Funds Management, Inc.	2.16%
Northern Data AG	2.11%
BlackRock Fund Advisors	1.99%
Toroso Investments LLC	1.49%
Geode Capital Management LLC	1.45%
Remo J. Mancini	1.43%
Citadel Advisors LLC	0.91%
Others	75.38%
<b>Total</b>	<b>100%</b>

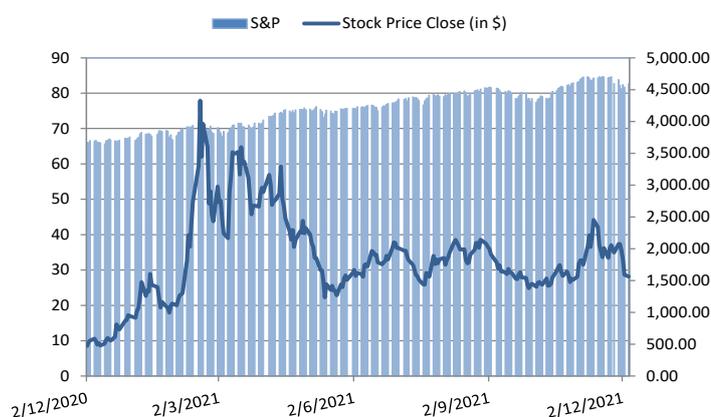
Source: Marketscreener.

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**Stock versus Index**  
(Last 52 Weeks or since listing, Stock Price in \$, Index in points)



Source: Historical Data. Note: Share price performance based on price closes on Stock Exchange.  
Period as day/month/year.

**Stock versus Index**  
(Last 52 Weeks or since listing, Base = 100)



Source : Historical Data. Note: Share price performance based on price closes on Stock Exchange.  
Period as day/month/year.

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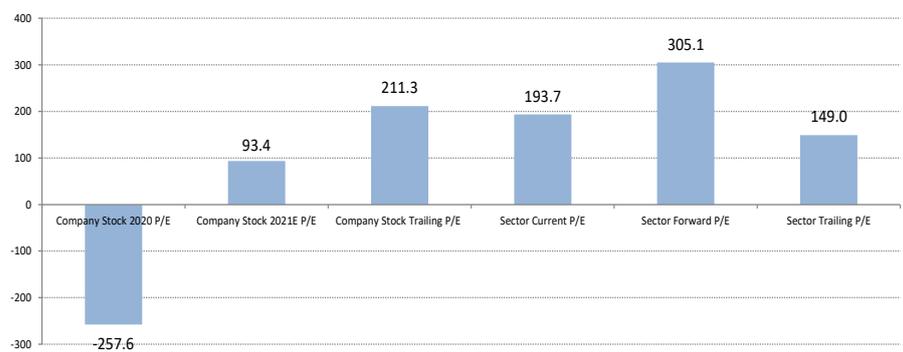
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	P/E Multiple
Company Stock 2020 P/E	<b>-257.6</b>
Company Stock 2021E P/E	<b>93.4</b>
Company Stock Trailing P/E	<b>211.3</b>
Sector Current P/E	<b>193.7</b>
Sector Forward P/E	<b>305.1</b>
Sector Trailing P/E	<b>149.0</b>

	Multiple
Company Stock 2020 EV/EBITDA	<b>-368.0</b>
World EV/EBITDA Ratio	<b>11</b>
Sector EV/EBITDA	<b>16.4</b>

Company P/E Multiples versus Sector P/E Multiples (x)



Source: VRS calculations based on consolidated accounts, FACTSET.

### EPS Estimates

In \$	EPS
2019	-1.020
2020	-0.300
2021E	0.301
2022E	0.452

Source: VRS calculations & estimates.

Note: EPS is based on current number of shares.

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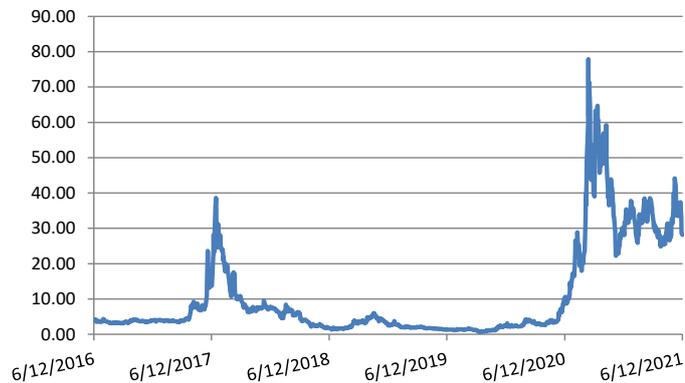
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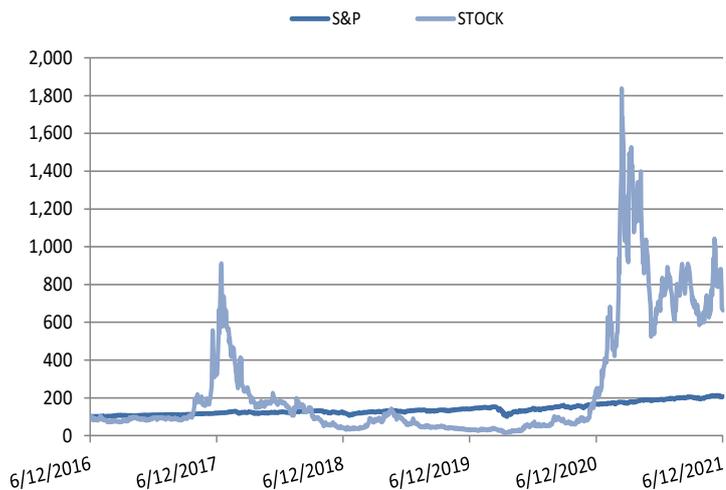
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**Stock Price Performance**  
(Last 5 Years or since listing, Stock Price in \$)



Source: Historical Data, Yahoo Finance. Note: Share price performance based on price closes on Stock Exchange.  
Period as day/month/year.

**Stock versus Index**  
(Last 5 Years or since listing, Base = 100)



Source: Historical Data, Yahoo Finance. Note: Share price performance based on price closes on Stock Exchange.  
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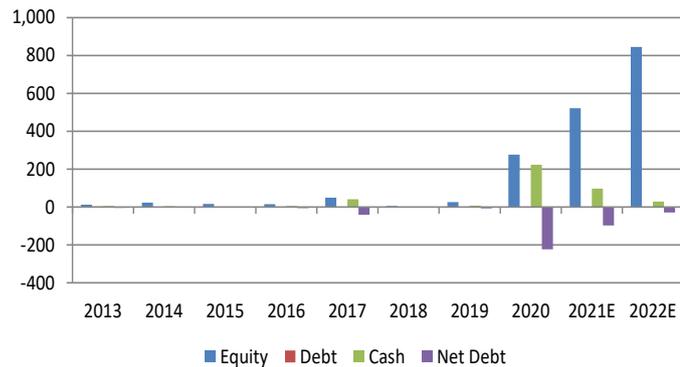
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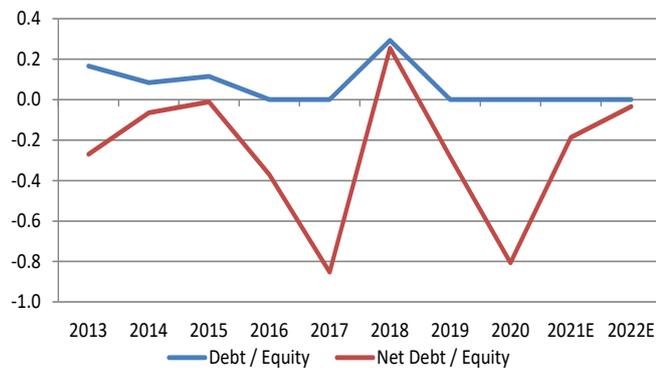
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**Equity, Debt, Cash & Net Debt**  
(in \$ millions)



Source: Company, VRS estimates

**"Debt/Equity" & "Net Debt/Equity" Ratios**  
(times)



Source: Company, VRS estimates

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# Company Update

**FLASH NOTE**  
December 6, 2021

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### Consolidated Income Statement (In \$ millions)

(( In \$ millions ), except share and per share data)	2020	2019
<b>Revenue</b>		
Revenue, net - cryptocurrency mining	11.98	6.74
License fees	0.10	0.10
<b>Total Revenue</b>	<b>12.08</b>	<b>6.84</b>
Cost of revenues	6.25	6.10
<b>Gross profit</b>	<b>5.83</b>	<b>0.74</b>
<b>Costs and expenses</b>		
Selling, general and administrative	10.25	9.16
Depreciation and amortization	4.49	0.12
Impairment of intangible rights acquired	0.00	0.70
Impairment of long-term investment	9.41	0.00
Impairment of cryptocurrencies	0.99	0.84
<b>Total costs and expenses</b>	<b>25.15</b>	<b>10.82</b>
<b>Earnings before interest and income tax</b>	<b>-19.32</b>	<b>-10.08</b>
<b>Other income (expense):</b>		
Loss on issuance of convertible notes, common stock and warrants	0.00	-6.16
Change in fair value of warrant liability	0.00	-2.87
Change in fair value of convertible notes	0.00	-3.90
Reversal of registration rights penalty	1.36	0.00
Gain on deconsolidation of Tess	0.00	1.14
Gain on sale of equipment	0.03	0.00
Interest income	0.09	0.00
Interest expense	0.00	-0.12
Other income (expense)	-0.01	0.87
Realized gain on sale/exchange of cryptocurrencies	5.18	0.67
<b>Total other income (expense)</b>	<b>6.65</b>	<b>-10.36</b>
<b>Profit before income tax</b>	<b>-12.67</b>	<b>-20.45</b>
Deferred income tax benefit	0.00	0.14
<b>Profit (loss) for the period</b>	<b>-12.67</b>	<b>-20.30</b>
Net (income) loss attributable to non-controlling interest	-0.01	0.26
<b>Net loss attributable to Riot Blockchain</b>	<b>-12.67</b>	<b>-20.04</b>
Basic and diluted net loss per share:	-0.30	-1.02
Basic and diluted weighted average number of shares outstanding	41,976,704.00	19,597,977.00

Source: Company

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### Consolidated Balance Sheet (In \$ millions)

( In \$ millions)	2020	2019
<b>Assets</b>		
<b>Non current assets</b>		
Property and equipment, net	10.14	5.05
Right of use assets	0.00	0.37
Deposits on equipment	33.09	1.45
Long-term investments	0.31	9.72
Security deposits	0.00	0.70
Patents, net	0.34	0.46
<b>Non current assets</b>	<b>43.88</b>	<b>17.75</b>
<b>Current assets</b>		
Cash and cash equivalents	223.38	7.44
Prepaid expenses and other current assets	1.26	1.35
Cryptocurrencies	11.63	3.84
<b>Current assets</b>	<b>236.27</b>	<b>12.63</b>
<b>Assets</b>	<b>280.15</b>	<b>30.38</b>
<b>Liabilities &amp; Equity</b>		
<b>Equity</b>		
Common stock, no par value	506.96	243.46
Preferred stock, no par value	0.02	0.02
Accumulated deficit	-229.91	-217.24
<b>Total Riot Blockchain stockholders' equity</b>	<b>277.07</b>	<b>26.24</b>
Non-controlling interest	0.00	-0.01
<b>Equity</b>	<b>277.07</b>	<b>26.24</b>
<b>Non-Current Liabilities</b>		
Deferred revenue, less current portion	0.68	0.78
<b>Non-Current Liabilities</b>	<b>0.68</b>	<b>0.78</b>
<b>Current Liabilities</b>		
Accounts payable	0.72	0.72
Accrued expenses	1.58	2.19
Operating lease liability, current portion	0.00	0.37
Deferred revenue, current portion	0.10	0.10
<b>Current Liabilities</b>	<b>2.40</b>	<b>3.37</b>
<b>Liabilities</b>	<b>3.08</b>	<b>4.15</b>
<b>Liabilities &amp; Equity</b>	<b>280.15</b>	<b>30.38</b>

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### Consolidated Cash Flow Statement (In \$ millions)

( In \$ millions)	2020	2019
<b>Cash flows from operating activities</b>		
Net loss	-12.67	-20.30
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Stock-based compensation	3.41	0.75
Depreciation and amortization	4.49	0.12
Deferred income tax benefit	0.00	-0.14
Amortization of license fee revenue	-0.10	-0.10
Amortization of right of use assets	0.37	2.30
Impairment of long-term investment	9.41	0.00
Impairment of cryptocurrencies	0.99	0.84
Loss on issuance of convertible notes, common stock and warrants	0.00	6.16
Change in fair value of convertible notes	0.00	3.90
Change in fair value of warrant liability	0.00	2.87
Gain on deconsolidation of Tess	0.00	-1.14
Impairment of intangible rights acquired	0.00	0.70
Reversal of registration rights penalty	-1.36	0.00
Gain on extinguishment of accounts payable, other liabilities and accrued interest	0.00	-0.85
Realized gain on sale/exchange of cryptocurrencies	-5.18	-0.67
Gain on sale of equipment	-0.03	0.00
Accrued interest on Verady investment	0.00	-0.02
<b>Changes in assets and liabilities:</b>		
Prepaid expenses and other current assets	0.80	-0.10
Cryptocurrencies - mining, net of mining pool operating fees	-11.84	-6.61
Accounts payable and accrued expenses	0.93	-0.82
Lease liability	-0.37	-2.30
<b>Net cash used in operating activities</b>	<b>-11.15</b>	<b>-15.42</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of convertible notes	0.00	3.00
Repayment of notes payable and other obligations	0.00	-0.95
Proceeds from the issuance of common stock / At-the-market offering	264.73	24.83
Offering costs for the issuance of common stock / At-the-market offering	-7.26	-1.00
Proceeds from exercise of common stock warrants	2.90	0.00
Repurchase of common shares to pay employee withholding taxes	-0.45	0.00
<b>Net cash provided by financing activities</b>	<b>259.92</b>	<b>25.88</b>
<b>Cash Flow from Investing Activities</b>		
Proceeds from sale of cryptocurrencies	8.30	3.20
Proceeds from sale of equipment	0.15	0.00
Deposits on equipment	-33.09	-1.45
Purchases of property and equipment	-8.14	-4.96
Patent costs incurred	-0.04	-0.04
<b>Net cash used in investing activities</b>	<b>-32.83</b>	<b>-3.25</b>
<b>Net increase in cash and cash equivalents</b>	<b>215.94</b>	<b>7.22</b>
Cash and cash equivalents at beginning of year	7.44	0.225
<b>Cash and cash equivalents at end of year</b>	<b>223.38</b>	<b>7.44</b>

Source: Company

#### Important Note:

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
Riot Blockchain, Inc.	RIOT:US	RIOT.A	\$ 28.14	December 6, 2021	----

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3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
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