

Oct 07, 2024

Financial Services

BTBT

NASDAQ

Rating

Outperform

Unchanged

Current Price

\$3.37

Target Price

\$5.50

Market Capitalization

498M

Shares Outstanding

107M

Float

138.5M

Institutional Holdings

39%

12-Month Low/High

\$1.76/\$5.27

Average 90-Day Volume

9900000

Fiscal Year End

12/31/2024

Bit Digital

September Production In-line with Last Month

AI Services. Bit Digital had 256 servers actively generating revenue from its initial Bit Digital AI contract, as of September 30, 2024, and earned approximately \$4.2 million of unaudited revenue from this contract during the month.

Mining Side. The Company produced 51.5 BTC in September, a 3.6% decrease from last month's 53.4 BTC. The active hash rate was 2.43 EH/s, flat with the previous month. Management will continue to be opportunistic with miner purchases dependent upon the returns, in our view.

ETH Staking. Bit Digital had 21,568 ETH actively staked in the month of September, flat with the prior month. The Company earned a blended APY of roughly 3.3% on its ETH and earned aggregate staking rewards of approximately 57.9 ETH.

Balance Sheet. Treasury holdings of BTC and ETH on September 30, 2024, were 731.3 and 27,388.9 with a fair market value of approximately \$46.3 million and \$71.3 million, respectively. The BTC equivalent of the Company's digital asset holdings was approximately 1,863.0 or about \$118.0 million. Cash and cash equivalents were \$104.0 million and overall liquidity was \$222.0 million compared to \$106.9 million and \$216.5 million, respectively, last month.

Maintaining Price Target. We are maintaining our Outperform rating and our \$5.50 price target on BTBT shares. We believe the Company offers stable cash flow through its HPC Services segment with increased risk diversification. All of this is combined with a stabilizing mining environment.

Equity Research

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Refer to the last two pages for Analyst Certification & Disclosures

Revenues (\$ MIL)

Period	2023A	2024E	2025E
Q1	8.27A	30.3A	
Q2	9.04A	29.0A	
Q3	11.56A	31.9E	
Q4	16.05A	40.5E	
	44.92A	131.6E	202.0E

EPS (\$)

Period	2023A	2024E	2025E
Q1	(0.03)A	0.43A	
Q2	(0.03)A	(0.09)A	
Q3	(0.08)A	0.01E	
Q4	0.00A	0.04E	
	(0.14)A	0.32E	0.31E

Company Profile

Bit Digital, Inc. is a sustainability-focused digital asset mining company with mining operations in the United States, Canada, and Iceland. The Company previously had operations in China, but discontinued operations on September 30, 2021. Bit Digital commenced Bitcoin, or BTC, mining operations in February 2020 and commenced limited Ethereum, or ETH, mining operations in January 2022 and ended such operations in September 2022 due to the Ethereum blockchain switching from proof-of-work to proof-of-stake. Ethereum staking operations were introduced in December 2022, as the Company's ETH holdings will be used to stake to an Ethereum validator node to help secure and strengthen the blockchain network. We believe the addition of ETH staking provides Bit Digital with an additional revenue source with a blue chip cryptocurrency that is undergoing a new undertaking with "Ethereum 2.0" to make the token more power efficient and secure. As of December 2023, Bit Digital owned approximately 46,548 digital miners equating to 3.9 EH/s of capability when fully deployed.

Fundamental Analysis — 2.5/5.0 checks

Our fundamental assessment rating, separate from our investment rating and valuation, is based on five attributes. We assign 2.5 checks out of 5.0 checks, which falls within our "Average" range. As a foreign private issuer, Bit Digital is exempt from certain provisions applicable to U.S. domestic public companies, such as Bit Digital is not required to provide as many Exchange Act reports or as frequently as a domestic public company. We believe there is a chance Bit Digital moves to a domestic public reporting company status in the near future but it does remain uncertain for now. With the preference shares having 50 votes each, two individuals control nearly 42% of the voting power of the Company, a negative, in our view. From a business perspective, we think management is taking the necessary steps to diversify into geographies and products to improve growth and diversify risk. While the digital assets vertical remains in its infancy, we believe strong growth potential exists for firms in the space. In our opinion, the Company's debt free balance sheet provides significant financial and operational flexibility. We believe substantial upside exists for margins as the miner fleet is fully deployed. For further explanation of our fundamental analysis, refer to the disclosures at the end of this report.

Valuation Summary

We are maintaining our Outperform rating and price target of \$5.50. Bit Digital is an asset-light, sustainability-focused HPC Services and digital asset mining company with mining and staking operations in the US, Canada, and Iceland. We believe the Company's expansion of its anchor AI contract provides the Company with additional stable cash flow and risk diversification outside of its cryptocurrency mining and staking operations. We believe the mining production of bitcoin has stabilized since the 'halving' event in April. We believe the Company will deploy more miners opportunistically, focusing on efficiency and cost reduction. The move into AI provides a non-correlated income stream that is highly scalable. With its asset light operating approach, pristine balance sheet, and significant growth opportunities, both in the BTC and ETH verticals and now AI, we believe Bit Digital is well positioned to capitalize on any such market upturn. At our target price, BTBT shares would trade at 3.2x our 2025 projected revenue and 7.0x on a EV/EBITDA basis, below our peer group of 3.4x and 9.6x, respectively.

Investment Risks include, but are not limited to:

- Bit Digital is an early stage development company and therefore is subject to all the risks common to such companies.
- Digital assets are a relatively new asset class and is therefore subject to a high degree of uncertainty.
- The Company is exposed to the risk of loss, theft or destruction of digital assets.
- Growth in the usage of digital assets and the blockchain is essential for adoption and longevity for various applications.
- The value of the Company's digital assets is subject to change due to general market conditions or malicious actors.
- Bit Digital relies on various mining service providers to actually operate its miners. Such hosting companies have run into performance issues in the past, causing Bit Digital to relocate its equipment. Such business interruptions could occur again in the future.
- A number of countries around the world have severely restricted or banned bitcoin mining. The impact of other government responses to mining activity is uncertain.
- Bit Digital's business model is evolving, which subjects investors to significant uncertainties.
- The Securities and Exchange Commission continues to refine if a digital asset is a security, which may impose additional

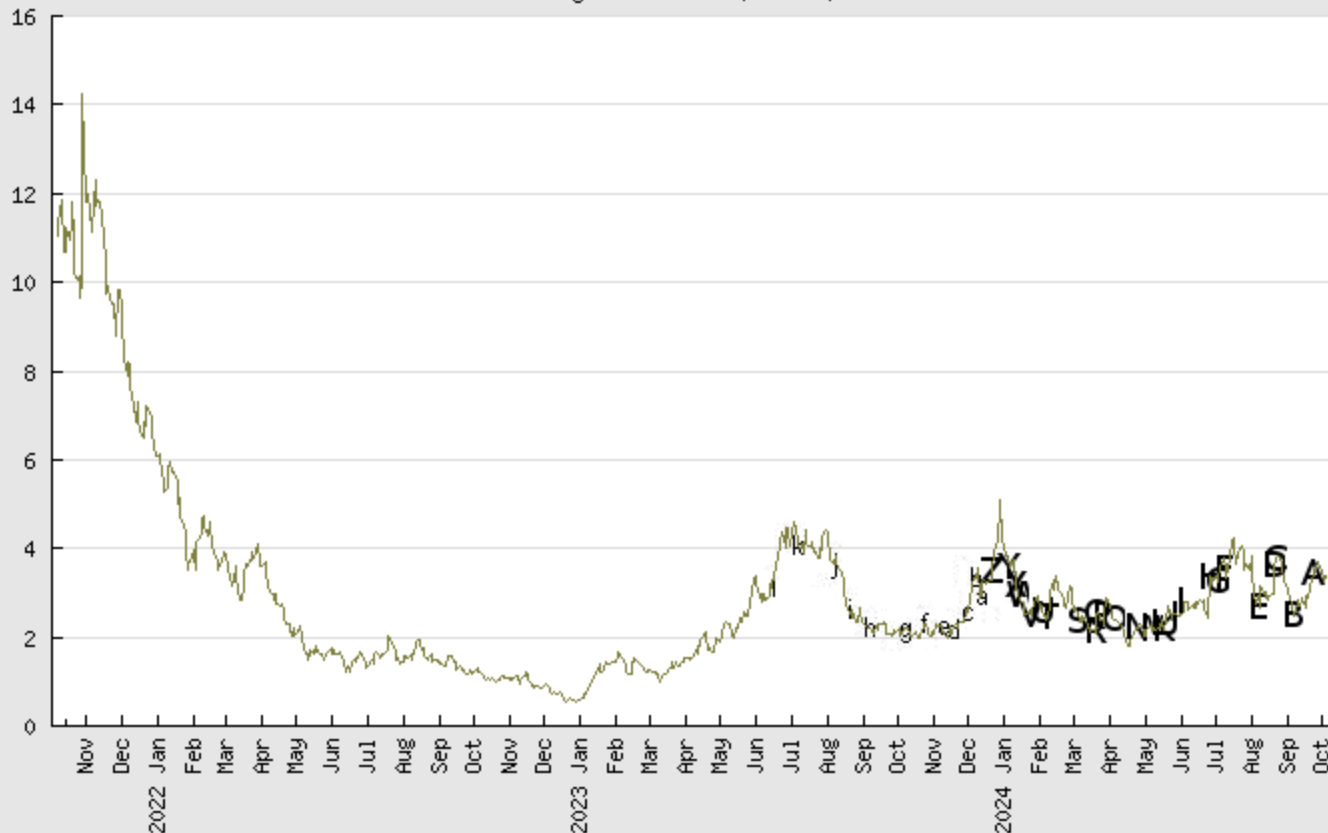


burden on Bit Digital.

- As a previous China-based issuer, Bit Digital may be subject to various legal and operational risks.
- Bit Digital is currently a foreign private issuer and, as such, is exempt from certain provisions applicable to U.S. domestic public companies.

Bit Digital

Closing Price Oct 04, 2024 \$3.37



A - 09/23/2024	Outperform	Target \$5.50	Current \$3.44	B - 09/06/2024	Outperform	Target \$5.50	Current \$2.47
C - 08/21/2024	Outperform	Target \$5.50	Current \$3.74	D - 08/20/2024	Outperform	Target \$5.50	Current \$3.61
E - 08/07/2024	Outperform	Target \$5.50	Current \$2.66	F - 07/09/2024	Outperform	Target \$5.50	Current \$3.51
G - 07/02/2024	Outperform	Target \$4.50	Current \$3.24	H - 06/26/2024	Outperform	Target \$4.50	Current \$3.33
I - 06/06/2024	Outperform	Target \$4.50	Current \$2.81	J - 05/31/2024	Outperform	Target \$4.50	Current \$2.48
K - 05/17/2024	Outperform	Target \$4.50	Current \$2.17	L - 05/16/2024	Outperform	Target \$4.50	Current \$2.29
M - 05/07/2024	Outperform	Target \$4.50	Current \$2.17	N - 04/22/2024	Outperform	Target \$4.50	Current \$2.19
O - 04/04/2024	Outperform	Target \$4.50	Current \$2.41	P - 03/27/2024	Outperform	Target \$4.50	Current \$2.50
Q - 03/20/2024	Outperform	Target \$4.50	Current \$2.53	R - 03/19/2024	Outperform	Target \$4.50	Current \$2.14
S - 03/06/2024	Outperform	Target \$4.50	Current \$2.35	T - 02/07/2024	Outperform	Target \$4.50	Current \$2.43
U - 02/02/2024	Outperform	Target \$4.50	Current \$2.56	V - 01/24/2024	Outperform	Target \$4.50	Current \$2.47
W - 01/12/2024	Outperform	Target \$4.50	Current \$2.92	X - 01/11/2024	Outperform	Target \$4.50	Current \$3.16
Y - 01/05/2024	Outperform	Target \$4.50	Current \$3.58	Z - 12/21/2023	Outperform	Target \$4.50	Current \$3.46
a - 12/12/2023	Outperform	Target \$4.50	Current \$2.94	b - 12/07/2023	Outperform	Target \$4.50	Current \$3.35
c - 11/28/2023	Outperform	Target \$4.50	Current \$2.56	d - 11/17/2023	Outperform	Target \$4.50	Current \$2.16
e - 11/07/2023	Outperform	Target \$4.50	Current \$2.26	f - 10/24/2023	Outperform	Target \$4.50	Current \$2.31
g - 10/06/2023	Outperform	Target \$4.50	Current \$2.22	h - 09/06/2023	Outperform	Target \$4.50	Current \$2.21
i - 08/18/2023	Outperform	Target \$4.50	Current \$2.63	j - 08/07/2023	Outperform	Target \$4.50	Current \$3.65
k - 07/07/2023	Outperform	Target \$4.50	Current \$4.05	l - 06/15/2023	Outperform	Target \$4.50	Current \$3.11

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Noble is not a market maker in the Company.

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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicalities, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

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NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	90%	25%
Market Perform: potential return is -15% to 15% of the current price	10%	3%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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Report ID: 27014