

**Action Summary – 11 July 2024**

Analyst Theodore R. O'Neill – Initiating coverage of VINANZ with a Buy rating and US\$3 PT

- **We believe Vinanz is arguably one of the better options investors have to benefit from the rise of bitcoin (BTC).** Vinanz is relatively new, having recorded its first revenue last summer, but its management team has developed a business model that has de-risked key aspects of BTC mining.
- **Balance sheet light and technology rich business model.** It operates a low fixed cost, less capital intensive, and less operationally expensive operation than other mining companies.
  - **Contract manufacturing.** It has partnered with Luxor Technology to manage its mining business, which lowers its capital expenditures and other fixed costs.
  - **Focus on locations with low cost of electricity.** It only sets up operations in places where the cost of electricity is \$0.08 or below. It is currently operating in Canada, Iowa and Indiana, all places with low-cost electricity.
  - **Invests in the latest technology.** It operates Bitmain Antminers S19j, Pro/Pro+ and S21s
  - **No debt. No leverage.** The company has no debt.
  - **Low Capex.** The company can add 1,500 miners for ~\$1MM
- **Attractive valuation.** The shares sell at a discount based on our near-term outlook. The company only began generating revenue mid-last year which makes meaningless comparisons to most peers at the moment, but if we look into 2026, the comps make sense. The average Market Cap/Sales for 2025 is ~5.5x and it is higher for companies making a profit, which is what we project for calendar 2024. On average, the companies estimated to be profitable this year have a Market Cap/Sales of 8.3x. If that same multiple holds for 2026, based on our estimates, if Vinanz achieves only an average multiple, its market cap would be \$120MM. The shares also sell at a discount to our earnings model. Both methods suggest that the stock is undervalued.

7/10 price: USD0.17	Market cap: USD23MM	2025 Market Cap/Sales: 6.8x	2026 Market Cap/Sales: 1.6x
Shares outstanding: 163MM	Insider ownership: >25%	3-mo. avg. trading volume: >10,000	Dividend/Yield: NA/NA

**GAAP estimates (EPS in £ – Revenue in £000)**

Period	EPS	Revenue	Op Margin
1H23A	(NMF)	0	NMF
2H23A	<u>(0.0209)</u>	<u>41</u>	<u>NMF</u>
FY23A	<u>(0.0209)</u>	<u>41</u>	<u>NMF</u>
1H24A	0.0018	591	38.4%
2H24E	<u>0.0002</u>	<u>400</u>	<u>20.0%</u>
FY24E	<u>0.0016</u>	<u>991</u>	<u>31.0%</u>
FY25E	<u>0.0068</u>	<u>3,050</u>	<u>48.4%</u>
FY26E	<u>0.0352</u>	<u>11,355</u>	<u>63.3%</u>

Note: August ending year. Numbers may not add due to rounding and change in share count. See our full model at the back of this report.

**Cash balance (in £000)**

• 2022A	• 0
• 2023A	• 156
• 2024E	• 264
• 2025E	• 746
• 2026E	• 9,091

**LT Debt (in £000)**

• 2022A	• 0
• 2023A	• 0
• 2024E	• 0
• 2025E	• 0
• 2026E	• 0

**EBITDA (in £000)**

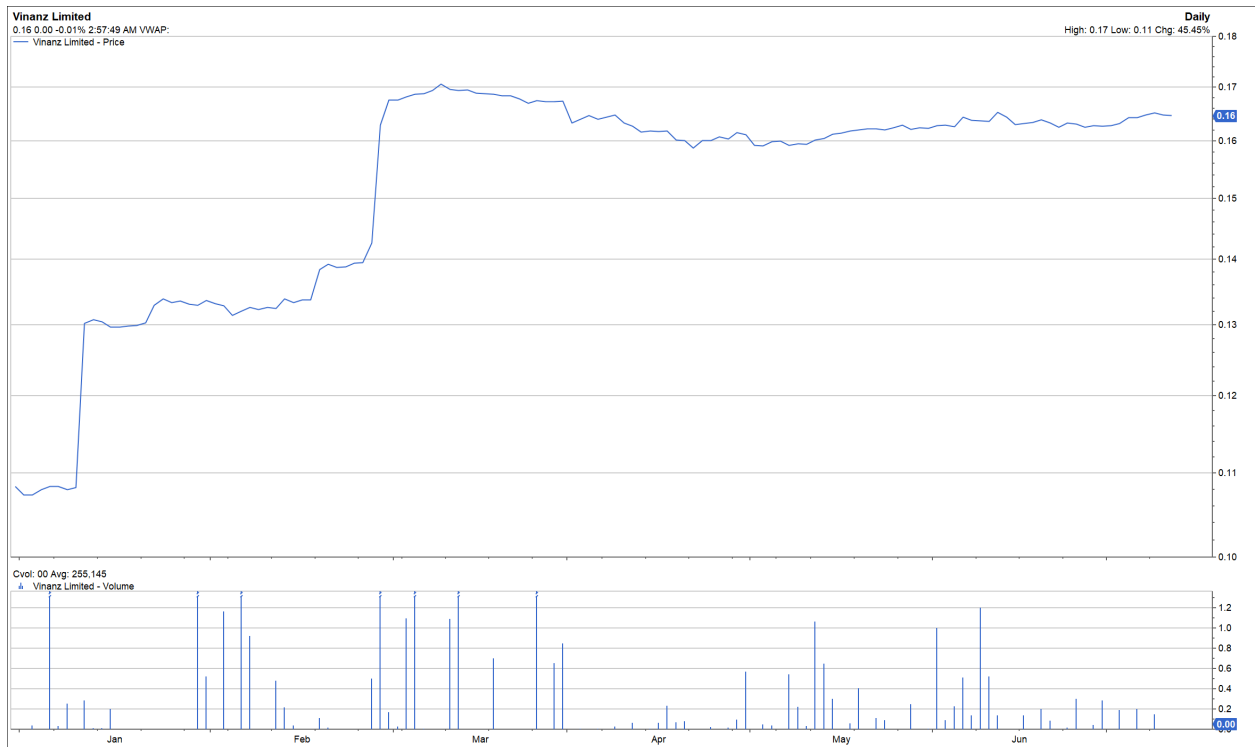
• 2022A	• (38)
• 2023A	• (498)
• 2024E	• 307
• 2025E	• 1,475
• 2026E	• 7,190

**Risks/Valuation**

- Risks include, but are not limited to competition, regulatory issues, and BTC pricing.
- Our US\$3.00 target is derived using a discounted future earnings model.

**Company description:** Vinanz's primary listing is in London (United Kingdom) on the Aquis Exchange under the ticker BTC and trades in the USA on the US OTCQB under the ticker VINZF. Vinanz is a British Virgin Island domiciled company that is building out a fully-fledged Bitcoin mining company initially focusing on installing clusters of Bitcoin miners within multiple facilities throughout the US and Canada through third-party cryptocurrency mining providers. Whilst the Company will focus initially on BTC mining, it will also consider the mining of other cryptocurrencies.

Figure 1 – Vinanz Limited – YTD Trading snapshot



Source: FactSet

## Investment Thesis

**We are initiating coverage of Vinanz with a Buy rating and a US\$3 price target.**

**We believe Vinanz is arguably one of the better options investors have to benefit from the rise of bitcoin (BTC).** Vinanz is relatively new, having recorded its first revenue last summer, but its management team has developed a business model that has de-risked key aspects of BTC mining.

**It is operating a balance sheet light and technology rich business model.** It operates a low fixed cost and less capital intensive, and less operationally expensive operation than other mining companies.

- **Contract manufacturing.** It has partnered with Luxor Technology to manage its mining business, which lowers its capital expenditures and other fixed costs. Luxor is a key player in the cryptocurrency market, and its partnership provides additional operational flexibility.
- **Focus on locations with low cost of electricity.** It only sets up operations in places where the cost of electricity is \$0.08 or below. It is currently operating in Canada, Iowa and Indiana, all places with low-cost electricity. Bit mining machines consume ~3000 watts of power and at \$0.08/kWh, that equals \$5.76/day.
- **Invests in the latest technology.** It operates Bitmain Antminers S19j, Pro/Pro+ and S21s
- **No debt. No leverage.** The company has no debt.
- **Low Capex.** The company can add 1,500 miners for ~\$1MM

- **Attractive valuation.** The shares sell at a discount based on our near-term outlook. The company only began generating revenue mid-last year which makes for meaningless comparisons to most peers at the moment, but if we look into 2026, the comps make sense. The average Market Cap/Sales for 2025 is ~5.5x and it is higher for companies making a profit, which is what we project for calendar 2024. On average, the companies estimated to be profitable this year have a Market Cap/Sales of 8.3x. If that same multiple holds for 2026, based on our estimates, if Vinanz achieves only an average multiple, its market cap would be \$120MM. The shares also sell at a discount to our earnings model. Both methods suggest that the stock is undervalued.
- **Risk to achieving our price target.** Our price target is based on discounted future earnings, but these future earnings are dependent on BTC pricing and the number of miners employed. When considering the volatility of BTC prices, we thought about using a Black-Scholes model but in the end, we felt that our route was sufficiently conservative. Our view is that BTC is here to stay and that because of the general acceptance and the growing dependence on it, prices are likely to rise over a two-year tie horizon. Since the company has immense flexibility regarding how many miners to employ or not, we feel our estimates could be far too low. In any case, in the near term we feel the shares are undervalued by the market and we support that with our analysis.

## Valuation Methodology

We believe Vinanz is undervalued, and we support that belief with an absolute and relative valuation. To determine our price target, we use a discounted future earnings model. The following valuation techniques are being used:

- 1) The discounted value of all future earnings was used for our price target (see Figure 2)
- 2) Valuation relative to peers (see Figure 3)

## Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$3 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 12%, which we feel more than adequately addresses the risk. We assume the company exhibits strong topline growth for several years driven by business expansion and BTC prices, then we slow growth until it eventually grows at the rate of global GDP. We assume bitcoin prices will rise over the next few years and remain above \$40K, which is approximately the company's breakeven point. Our valuation model is shown in Figure 2 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is £2.07 which converts to USD2.64, and which we round to \$3.00.

Figure 2 – Vinanz Limited – Price Target Calculation

Discounted Earnings		£2.07
Year 1 is	Forecast	Discounted
2024	EPS	EPS
1	0.00	£0.00
2	0.01	£0.01
3	0.04	£0.03
4	0.08	£0.05
5	0.15	£0.09
Terminal Value		£1.90

Source: Litchfield Hills Research LLC

### Valuation Relative to Peers

Figure 3 is a summary of our Vinanz peer comparison. A couple of things worth noting. While the average Market Cap/Sales for 2025 is ~5.5x, it is generally higher for companies making a profit, which we show in the column labeled 2024 EPS. On average, the companies estimated to be profitable this year have a Market Cap/Sales of 8.3x. If that same multiple holds for 2026, based on our estimates, if Vinanz is awarded only an average multiple, its market cap would be \$120MM. At that market cap, assuming there are 200MM shares, the share price would be \$0.60. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Figure 3 – Vinanz Limited – Comp Table

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2025 Consensus			2024 EPS Estimates
					Market Cap / Sales	EV /Sales	EV / EBITD A	
MARA-US	Marathon Digital Holdings Inc.	\$20.17	5,506	4,185	5.12	2.86	8.31	\$0.41
CLSK-US	Cleantech, Inc.	\$16.05	3,657	2,736	4.19	2.27	7.13	\$0.64
IREN-US	Iris Energy Ltd.	\$15.03	2,808	1,428	5.13			\$0.02
RIOT-US	Riot Platforms, Inc.	\$9.64	2,784	1,865	5.02	2.43	1.83	\$0.30
WULF-US	TeraWulf Inc.	\$5.58	1,864	1,683	6.42	5.02	21.54	(\$0.02)
CORZ-US	Core Scientific Inc	\$10.29	1,829	3,449	2.89	6.65		\$0.50
HUT-CA	Hut 8 Corp. (CA Listing)	\$16.46	1,488	1,756	8.15	7.21		\$2.87
CIFR-US	Cipher Mining Inc	\$4.70	1,457	1,240	4.24	3.19	11.44	(\$0.05)
NB2-DE	Northern Data AG	\$21.39	1,144		1.94	0.60	1.16	(\$2.18)
JTS-TH	Jasmine Technology Solution Public Compan	\$1.61	1,135	1,156				
BITF-CA	Bitfarms Ltd. (CA Listing)	\$2.67	1,064	797	2.12	1.38	2.52	(\$0.20)
BTDR-US	Bitdeer Technologies Group	\$11.54	1,045	1,320	2.77	2.10		\$0.14
APLD-US	Applied Digital Corporation	\$6.94	1,009	1,103	2.06	2.02	4.50	(\$0.88)
HIVE-CA	HIVE Digital Technologies Ltd (CA Listing)	\$3.34	350	153				(\$0.44)
FUFU-US	BitFuFu Inc. Class A	\$4.34	121	25				
EXOD-US	Exodus Movement, Inc.	\$16.00	70	436	3.26			\$2.59
ARBK-US	Argo Blockchain Plc (Adr 1:10)	\$1.19	63	101	0.74	1.21		(\$0.31)
DMGI-CA	DMG Blockchain Solutions, Inc. (CA Listing)	\$0.37	62	40	2.03	1.28		(\$0.02)
SDIG-US	Stronghold Digital Mining, Inc.	\$3.95	51	114	0.62	1.01		(\$0.88)
GRYP-US	Gryphon Digital Mining, Inc	\$1.21	48	60				
PHUN-US	Phunware, Inc.	\$5.43	44	17	4.75			(\$1.39)
BMNR-US	BitMine Immersion Technologies Inc	\$0.53	26					
NDA-CA	Neptune Digital Assets Corp	\$0.19	25	18	38.35	26.88		\$0.00
ARCA-SE	Arcario AB	\$0.00	24	19				
BTCS-US	BTCS, Inc.	\$1.42	22	(9)				\$0.49
ANY-US	Sphere 3D Corp. (US Listing)	\$1.02	19	17				(\$0.96)
ABX-DE	Advanced Blockchain AG	\$4.13	16	18				
SAI-US	SAI.TECH Global Corporation Class A	\$0.94	14	20				
CBIT-CA	Cathedra Bitcoin Inc	\$0.06	13	15				(\$0.02)
SATO-CA	SATO Technologies Corp (CA Listing)	\$0.23	12	22				(\$0.01)
CSTR-CA	CryptoStar Corp.	\$0.02	10	10				
BITK-CA	BlockchainK2 Corp.	\$0.22	6	6				
LQWD-CA	LQWD Technologies Corp	\$0.49	6	(3)				
INTV-US	Integrated Ventures Inc	\$0.88	4	19				
A11-AU	Adisyn Limited	\$0.02	4	5				
<b>AVERAGE</b>					<b>5.54</b>	<b>4.41</b>	<b>7.31</b>	

Source: Litchfield Hills Research LLC and FactSet

## Financial Estimates and Guidance

The company does not provide direct revenue or earnings guidance, but it does project an approximate number of active miners. In the past it has said that breakeven for earnings is USD40K per BTC. We only project that the company will ramp up additional miners through 2026 and that the business model allows for linear expansion to 30,000 miners. It projects that the capex per 1,000 miners is ~USD700K.

Our model shows no costs in Cost of goods because the cost of operating the miners, primarily electricity, is carried in the Administration expense line. This is an inclusive fee from Luxor that bundles the electrical costs in its hosting fee.

We are showing annual results and not semi-annual for 2025 and 2026 until we have better insight into revenue. Our 2024 estimate is semi-annual only because it has already presented 1H24. Our estimates are shown in Figures 7-9

## Company Overview

### Summary

Founded in August 2021 in the British Virgin Islands (BVI), Vinanz Limited (**Vinanz, or the company**) is a London-listed Bitcoin mining enterprise with a US quote on the OTC QB. The company owns all of its Bitcoin mining fleet and leverages the decentralized distribution of Bitcoin mining clusters across third-party bitcoin hosting facilities in the US and Canada to accumulate Bitcoin, providing investors with exposure to the cryptocurrency without engaging directly in mining activities. The company harnesses the power of blockchain technology to secure and validate transactions on the Bitcoin network.

Since its inception it has grown its North American fleet from nothing to over 400 ASIC miners and is now accelerating its rollout of their Vinanz Nexus Network with mining clusters in Labrador in Canada and Iowa and Indiana in the USA.

Vinanz is debt free and uses its balance sheet to expand its bitcoin mining fleet at pace. It plans to grow its fleet to over 1,000 miners by the end of the Spring. not only in its existing hosting centers but also open up new clusters in potentially two more states.

Vinanz's growth potential is almost limitless, constrained only by how much cash it has to deploy new miners in new clusters in their US Nexus Network. With very low overheads, relatively fixed operating costs and overheads, any increases in the price of bitcoin goes straight to the top and bottom-line revenues.

Although Vinanz focuses on the development of Bitcoin mining operations and an emerging class of powerful decentralized finance (DeFi) technologies. Cryptocurrencies and decentralized protocol technologies inter-operate to create global decentralized financial service platforms. These platforms continue to enjoy rapid growth and augment or replace capabilities typically associated with traditional finance. Such capabilities include decentralized lending, order matching and exchanges, custodial services, trade finance and asset management.

In April 2023, the company launched its initial public offering (IPO), raising \$955K (before expenses) at \$0.04 per share. Thereafter, it was listed on London's Aquis Exchange (AQSE) under the ticker BTC on April 21, 2023. Further, it commenced trading on the US OTCQB market on September 5, 2023, under the symbol VINZF. In November 2023, the company raised \$442K (before expenses) at \$0.04 per share, and in February 2024, it raised another \$566K at \$0.15 per share.

In January 2024, Bitcoin gained traction as an acceptable and investable asset class when the US Securities and Exchange Commission (SEC) approved several notable Spot Bitcoin exchange-traded funds (ETFs) that went live in the US markets. Hong Kong went live with spot Bitcoin ETFs in April and Australia the same in June. Vinanz is well positioned to capitalize on the developments in the Bitcoin market through its network of flexible and efficient third-party mining centers in North America. See milestones in Figure 4.

The company initially purchased 20 operational BTC miners in Nebraska, a strategic move that allowed Vinanz to list in London as an operating company rather than an investment company. This also enabled Vinanz to expand by acquiring 100% interest in new miners and their respective revenue streams as they grew. At the end of April 2024, Vinanz operated around 300 miners in North America at third-party data centers in the US (Nebraska) and Canada

(Labrador). Also, the company had accumulated approximately 20 Bitcoins and was entirely debt-free with cash reserves at the end of April 2024.

Figure 4- Vinanz Limited -Milestones



Source: Litchfield Hills Research; Company presentation dated April 2024

## Business Model

Cryptocurrency mining is the process of validating and verifying transactions on a blockchain network and adding new transactions to the network. Bitcoin Miners use powerful computers to solve complex mathematical puzzles that validate transactions and secure the network.

In proof-of-work cryptocurrencies such as Bitcoin, miners compete to solve puzzles. The first miner to solve a puzzle gets to add a new block of transactions to the blockchain. As a reward for their efforts, they receive newly created cryptocurrency coins, as well as any transaction fees associated with the transactions in the block.

While crypto mining is a highly lucrative business, it requires significant computational power and energy consumption. Accordingly, Vinanz follows a differentiated model by strategically selecting third-party data centers with access to low-cost power sources, a major cost component in mining operations, rather than owning and operating data centers like many other players. The company focuses on optimizing its mining performance by forming partnerships to increase the processing speed and hashrates of its mining hardware. For instance, Vinanz partnered with US-based Luxor Technology to install Luxor's firmware into Vinanz's Bitcoin mining fleet to improve operational uptime and generate power savings to reduce overall operational costs.

Vinanz's fleet consists primarily of Bitmain Antminer S19j, S19j Pro, S19j Pro+ and S21 miners with processing speeds ranging from 104 Terahash per second (THs) to 200 THs. Currently, their combined process power from their 400 miners is about 40 Petahash per second (PHs) or 40 quadrillion calculations per second.

Vinanz's mining facilities are outfitted with cutting-edge hardware and infrastructure, enabling efficient Bitcoin mining while minimizing energy consumption and environmental impact. Through strategic partnerships and continuous innovation, the company is expected to maintain a competitive edge in the rapidly evolving cryptocurrency market. Its business model is highly scalable, contingent upon the availability of sufficient funding for capital equipment.

Historically, each halving event has resulted in a higher Bitcoin price than the previous halving. After the 2012, 2016 and 2020 halvings, the bitcoin price ran up about 93x, 30x and 8x, respectively, from its halving day price to its cycle top. Accordingly, the last halving occurred on the 19 April 2024 and Vinanz is banking on a significant increase in Bitcoin price from here. If history repeats itself here, it is possible that the price of bitcoin could rise to somewhere

between \$560,000 to \$700,000 a coin sometime in the next 4-year cycle.

As of May 20, 2024, Bitcoin had witnessed a 40% year-to-date increase in its price. Vinanz benefits considerably from Bitcoin price appreciation due to its relatively fixed cost base and positive leverage to an increasing bitcoin price, and its goal is to mine and accumulate as many Bitcoins as possible while expanding its mining fleet appropriately when funds are available.

While it is focused on Bitcoin mining and holding, Vinanz has instituted a strategy to diversify its portfolio by allocating 10% of the value of mined Bitcoins to invest in alternative cryptocurrencies such as Solana and Ethereum. This diversification approach aims to leverage potential price movements in altcoins to enhance portfolio performance. In the competitive cryptocurrency mining landscape, Vinanz's differentiated model, strategic partnerships and portfolio diversification strategy will enable it to optimize operational efficiency, mitigate risks and drive long-term value creation through exposure to multiple digital assets.

### Competitive Advantage

Vinanz has adopted a strategic approach to gain a competitive edge over its peers in the cryptocurrency mining industry, as explained below:

- **Choosing data centers with lower electricity costs:** The company focuses on optimizing operational costs by strategically placing data centers in regions with access to inexpensive electricity sources, aiming to enhance profitability. For instance, the company's Labrador facility benefits from inexpensive hydroelectric power, averaging below USD 0.06/kWh. Furthermore, Vinanz's decision to primarily pay for data center services in cash rather than cryptocurrency tokens demonstrates a prudent approach to risk management and financial stability. In the US with their recent deals in Iowa and Indiana with MiningStore and Megawatt respectively, they are getting sub \$0.075 for power in these contracts in place that see lower power costs with higher operating miner numbers.
- **Debt-free company:** Differentiating from many leveraged competitors, Vinanz owns its mining hardware outright, making it a debt-free company. This strategic decision allows the company to avoid the financial burdens associated with debt financing and positions it for long-term growth and resilience in the volatile cryptocurrency market.
- **Overclocking miners:** To boost its miners' performance, Vinanz has partnered with Luxor to overclock its Bitmain S19j and S19j Pro and S19j Pro+ miners, resulting in a 12% increase in mining capabilities. This move goes some way towards countering the effects of the April halving.
- **Rapid and expansive scalability:** Vinanz's roadmap includes an ambitious expansion plan to increase its mining operations to 1,000–10,000 units distributed across 10 clusters in North America. Have already seen this expansion model kicking in with their recent Iowa and Indiana announcements. Scalability initiative aims to establish a sustainable operational framework capable of withstanding market fluctuations and capitalizing on emerging opportunities in the dynamic cryptocurrency mining landscape.
- **Alt Coin Plans:** In addition to its Bitcoin mining operations, Vinanz aims to diversify its portfolio by expanding into alternative cryptocurrency mining, targeting coins such as Solana and Ethereum to enhance overall performance and mitigate risk.

With a robust operational framework, strategic partnerships and a clear growth trajectory, Vinanz presents a compelling investment opportunity for investors seeking exposure to the cryptocurrency mining sector. The company's prudent risk management, strategic decision-making and focus on value creation position it for sustained expansion and shareholder value generation. As Vinanz continues to navigate the dynamic cryptocurrency mining industry, investors can expect the company to leverage its competitive advantages, capitalize on emerging opportunities and drive shareholder value through its strategic approach and operational excellence.

### Recent Developments

- In April 2024, Vinanz announced that the first 10 S21 Bitmain Antminer 200 Terahash/second (TH/s) miners ordered for its Canadian BlockLABS fleet in March 2024 were fully operational and were spinning at better than 200 TH/s. The Antminer S21 series is among the fastest miners in the world, and the addition of these Bitcoin

miners has increased the overall processing power at the BlockLABS cluster to 30 Petahash/second (PH/s). These have been installed at the facility that houses Vinanz's existing Bitcoin miners and have increased the number of miners at this BlockLABS cluster in Labrador to 280. The company plans to add more S21 miners to its North American fleet in the near term, given that these miners have been installed and their running speed has been validated.

- On April 10, 2024, Vinanz received The Depository Trust Company's (DTC's) full-service eligibility in the US, making the company's shares more accessible to the US retail and institutional investors. The DTC is the largest securities depository in the world and facilitates electronic settlement of stock certificate transfers in the US. Vinanz will trade under the symbol "VINZF" in the US, electronically cleared and settled through the DTC. This electronic method of clearing securities offers investors and brokers a more efficient, lower-cost settlement process.
- In February 2024, Vinanz raised \$566K at \$0.15 per share. The funds were used to create awareness for its OTCQB listing in the US and acquire additional miners to enhance its North American fleet. The funds were further used to initiate NASDAQ listing enquiries while retaining AQSE admission and exploring Frankfurt trading. Funds were also utilized to purchase the first batch of 200 TH/s Bitmain S21 miners to replace older units and form a new US/Canada cluster before the April 2024 Bitcoin halving.
- On 30 May 2024, Vinanz has placed a starter order for 20 Bitmain Antminer S19j Pro+ 120 TH bitcoin miners to be deployed into one of Mining Store's ([www.miningstore.com](http://www.miningstore.com)) seven facilities in central Iowa. Vinanz intends to expand the operational miners in this new US BTC cluster, once the units have been operational for a period and the Company has had the necessary time to properly assess installation procedures, hosting facilities uptime performance and general connectivity.
- Iowa was quickly expanded in June 2024 with the addition of another 40 S19j Pro+ 120 TH miners, which combined added over 7 PHs to Vinanz's processing power.
- Then on 19 June 2024, Vinanz expanded its Nexus Network into Indiana through a collaboration with Indiana bitcoin hosting specialists Megawatt ([www.megawatthq.com](http://www.megawatthq.com)) with the initial purchase of 20 Bitmain Antminer S19j Pro Bitcoin miners, from Megawatt's existing operational miners. These miners are based in Megawatt's hosting center in Alexandria, Indiana. These initial miners are hashing 2.15 PHs to Vinanz's Luxor pool.
- Megawatt is nearing completion of its newest hosting center near Brownsburg in Indiana. Vinanz plans to expand its Indiana Bitcoin mining fleet into this new site as soon as it is operational. Vinanz is looking to increase its Indiana cluster to 100 miners and ultimately increase its miners with Megawatt to around 300 units over time.

## Strategy Outlook

Vinanz operates around 400 miners in North America at third-party data centers in the US (Iowa, Indiana) and Canada (Labrador). Apart from the standard company's choice S19j miners, the company is now incorporating the new S21 Bitmain Antminer 200 TH/s miners into its Canadian BlockLABS fleet to keep the fleet up to date with the latest miner technology and speeds. The company plans to add more S21 miners to its North American fleet as the cost of these Newgen miners decreases over time. This will enable the company to improve the performance of its miners further and accumulate more Bitcoins on its books.

Vinanz also plans to strategically expand its Bitcoin mining operations across the US and Canada by entering partnerships with relevant companies (such as Luxor) to enhance the operational efficiency of its miners and deliver higher margins. The company will continue to look for third-party data centers to maintain its low-overhead approach to build a substantial Bitcoin inventory, offering significant upside potential for shareholders.

Lastly, Vinanz will work toward diversifying its portfolio into alternative coins such as Solana and Ethereum, allocating approximately 10% of the value of mined Bitcoin. This will allow the company to mitigate the concentration risk and enhance its overall shareholder returns and value.



## Industry Overview

### Understanding Blockchain and Bitcoin Mining

#### Blockchain

A blockchain is a decentralized and distributed digital ledger that records transactions across multiple computers in a way that ensures security, transparency, and immutability. It consists of a chain of blocks, where each block contains a list of transactions. These transactions are cryptographically linked to form the chain, making it extremely difficult to alter any single block without altering all subsequent blocks, thereby ensuring the integrity of the data.

One of the defining features of blockchain technology is its decentralized nature. Rather than being stored on a single centralized server, the blockchain is maintained by a network of nodes (computers) spread across the globe. Each node on the network has a copy of the entire blockchain, and new transactions are added to the blockchain through a process called consensus, where the majority of nodes agree on the validity of the transactions.

Blockchain technology has numerous applications beyond cryptocurrencies, including supply chain management, voting systems, identity verification, smart contracts, and more. Its decentralized and transparent nature makes it an appealing solution for industries seeking to improve security, reduce fraud, and increase efficiency in various processes.

#### Bitcoin Mining

Bitcoin mining is the process by which new bitcoins are created and transactions are verified and added to the Bitcoin blockchain. Miners compete to solve complex mathematical puzzles using powerful computing hardware and software. The first miner to solve the puzzle gets to update the blockchain with the latest block of transactions and receives a reward in newly minted bitcoins.

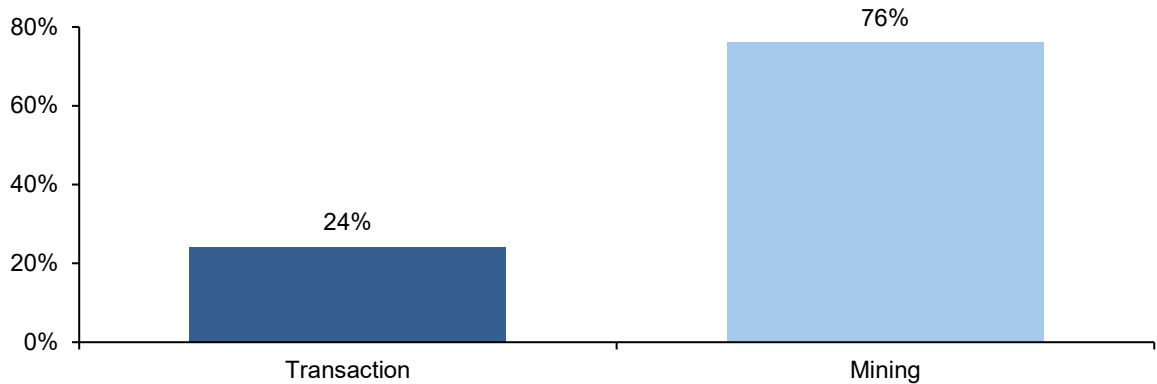
The mining process involves setting up hardware (graphics processing units, application-specific integrated circuits or field-programmable gate arrays), installing mining software and joining a mining pool or mining solo. The specialized hardware is known as ASICs (Application-Specific Integrated Circuits) that are designed specifically for mining bitcoins efficiently. It also requires significant computational power and energy consumption.

Miners group transactions into blocks, create a cryptographic hash of the block and then attempt to find a hash value below a specified target by repeatedly guessing numbers. They are incentivized by block rewards (currently 6.25 BTC per block) and transaction fees. However, mining profitability depends on factors such as hashrate, block rewards, mining difficulty, electricity costs, pool fees and the market price of Bitcoin. The mining difficulty increases as more miners join the network, making it progressively harder to mine new bitcoins. The Bitcoin network adjusts the difficulty of the cryptographic puzzle approximately every two weeks to ensure that new blocks are added to the blockchain at a consistent rate, regardless of changes in mining power.

Bitcoin halving events occur every four years. They reduce the block reward by half to control the inflation rate and maintain bitcoin scarcity, with a capped supply of 21MM coins. In October 2023, the top 14 Bitcoin mining companies held a combined 38,903 BTC. This was 0.18% of the maximum 21MM Bitcoin supply.

In 2022, the mining segment generated more than 76% of the global revenue share (see Figure 5). For the creation, transmission, and confirmation of cryptocurrency transactions, mining is a crucial operation. It guarantees the currency's steady, safe, and secure transmission from a payment to the receiver. Cryptocurrencies operate on a peer-to-peer network and therefore are decentralized, in contrast to fiat money, in which a central authority oversees & regulates all activities.

Figure 5 – Vinanz Limited - 2022 Cryptocurrency Mining Market Share by Process



Source: Litchfield Hills Research; Precedence Research

### Market Leader

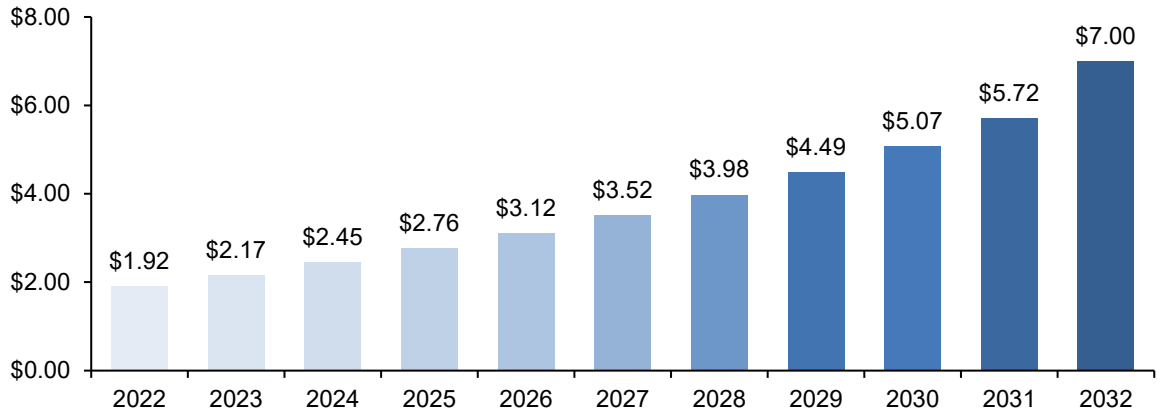
On November 3, 2023, Marathon Digital Holdings stood out as the top Bitcoin mining company, with the largest Bitcoin holdings of 13,726 BTC, accounting for 35% of all publicly known mining companies' BTC holdings, according to Coingecko. The firm operated on a massive scale with over 150,000 mining rigs and an installed hashrate of 23.1 Exahash per second (EH/s), comprising 4.8% of the global Bitcoin network hashrate. Its market capitalization was USD 1.64 billion (bn). Marathon Digital's operational prowess was further evidenced by a USD 17MM revenue over the trailing 12 months, marking a 47.8% year-on-year increase. With its substantial Bitcoin holdings, hashrate contribution and financial performance, Marathon Digital Holdings cemented its position as a leader in the Bitcoin mining industry.

### Market Outlook

According to Cognitive Market Research, the global cryptocurrency mining market size is USD 2.17 bn in 2023 and will increase at a compounded annual growth rate (CAGR) of 12.9% from 2023 to 2032 (see Figure 6). North America contributed the largest revenue share in the global cryptocurrency mining market in 2023, accounting for around 40% of the global revenue. This is largely because most people in North America view bitcoins more as a means of exchanging taxes than as a means of monetary transaction. With the acceptance by US SEC in January 2024, the demand for cryptocurrency from consumers and retailers has increased, which is expected to result in further expansion in the market. North America will continue to lead the growth over the remaining years of the decade.

The Asia Pacific region accounts for over half of the global bitcoin supply. Large data centers and cloud computing companies are mining cryptocurrencies throughout the region. Moreover, numerous ongoing projects and the existence of several well-known mining corporations are pushing the expansion of the cryptocurrency mining market in the region. Accordingly, the Asia Pacific cryptocurrency mining market will experience the most substantial and fastest growth until 2030.

Figure 6 – Vinanz Limited - Cryptocurrency Mining Market Size – 2023-2032  
(USD Billions)



Source: Litchfield Hills Research; Precedence Research

## Cryptocurrency Mining Market Dynamics

### Key Market Drivers

- Technology Advances:** As Bitcoin mining evolves, there's a continuous race to develop more efficient mining hardware and strategies. This includes improvements in ASIC technology, which can increase mining efficiency and reduce energy consumption.
- Network Difficulty:** The difficulty of mining Bitcoin adjusts approximately every two weeks to maintain a consistent block production rate. This adjustment is based on the total computational power (hash rate) of the network. Higher hash rates indicate greater competition among miners and increased security for the network.
- Energy Consumption and Environmental Impact:** Bitcoin mining's energy consumption has drawn scrutiny due to its environmental impact. As the industry grows, there is an increasing focus on adopting more sustainable mining practices, such as using renewable energy sources or repurposing waste heat generated by mining operations.
- Regulatory Environment:** Regulatory developments can significantly impact the Bitcoin mining market positively and negatively. Clear regulatory frameworks can provide certainty and encourage investment in mining infrastructure. Conversely, restrictive regulations or bans in certain jurisdictions could limit mining activity.
- Market Demand and Price Volatility:** The profitability of Bitcoin mining is closely tied to the price of Bitcoin and transaction fees. Higher prices incentivize more miners to participate, increasing competition and hash rate. Conversely, downturns in price can lead to reduced mining activity and consolidation within the industry.
- Geopolitical Factors:** Geopolitical tensions and government policies can also influence the Bitcoin mining landscape. Some countries actively support and incentivize mining operations, while others impose restrictions or crackdowns on cryptocurrency activities.

- **Innovation and Adaptation:** The Bitcoin mining industry is characterized by innovation and adaptation to changing market conditions. Miners continually seek ways to optimize operations, reduce costs, and increase efficiency to maintain profitability.

Overall, while challenges and uncertainties exist, the Bitcoin mining market is expected to continue growing and evolving as the cryptocurrency ecosystem matures. Continued advancements in technology, increased adoption, and efforts to address environmental concerns are likely to shape the future of Bitcoin mining.

### Key Trends<sup>1</sup>

- The Bitcoin mining network experienced rapid growth, with the hashrate increasing by 104% in 2023, raising sustainability concerns. However, the mining network's efficiency continues to improve, with the weighted average efficiency currently at 34W/T and projected to reach 10W/T by mid-2026.
- Approximately 53% of the energy used for Bitcoin mining is from sustainable sources, surpassing the finance industry's 40%. The mining industry's emission intensity has decreased from 600 grams of CO<sub>2</sub> per kWh in 2021 to 299 grams per kWh.
- The Bitcoin halving event in April 2024 significantly impacted miners' cost structures. The average cost of production is estimated to rise from USD 16,800 per Bitcoin in Q3 2023 to USD 27,900 post-halving, while the cash cost is projected to increase from USD 25,000 to USD 37,800.
- Miners with efficient cost structures and ample liquidity, such as Riot, are better positioned to navigate the halving's effects. Factors such as computing power, the number of Bitcoins produced, energy costs and equipment efficiency are crucial in determining miners' profitability.
- The mining network's hashrate is expected to normalize back to the trend line of around 450 EH/s by the halving, potentially decreasing further to 410 EH/s six months later before sharply increasing to approximately 550 EH/s by the end of 2024.

## Management

### David Lenigas, Chairman

David Lenigas is an Australian mining engineer with a Western Australian First Class Mine Managers Certificate. He has extensive corporate experience at the Chairman and CEO levels on many of the world's leading stock exchanges.

### Jeremy Edelman, Director

Jeremy Edelman has worked for some of the world's leading investment banks, including Bankers Trust and UBS Warburg in debt and acquisition finance. He has also held consulting and director positions in listed companies in the UK and Australia with a focus on resource exploration and development, including investment companies established with the specific objective of investing in resource projects.

### Hewie Rattray, Director

Hewie Rattray qualified as a stockbroker in 2016 and founded Kiyo Capital, a brokerage specializing in Digital Assets Investments. Since then, he has successfully launched and collaborated on various crypto projects, driving innovation in the digital asset space. With a deep understanding of traditional finance and cutting-edge blockchain technology, Hewie is committed to pushing the boundaries of what's possible in the financial sector.

### Mahesh Pulandaran, Independent Non-Executive Director

Mahesh Pulandaran began his career in the UK with audit and assurance before moving to Asia with Deloitte. He has advised many blue-chip companies, including Microsoft and Caterpillar. He then joined offshore banking in emerging markets with HSBC and then Coutts & Co. He then took Coutts International Trustees independent with his Group CEO and after 10 years joined Amicorp Capital as the CEO in Dubai.

Figure 7 – Vinanz Limited – Income Statement (£000)

August year-end	2022A Year	2023A Year	2024E		2024E Year	2025E Year	2026E Year
			1H24A	2H24E			
<b>Total revenue</b>	£0	£41	£591	£400	£991	£3,050	£11,355
<i>Growth</i>	NA	NA			NMF	208%	272%
Cost of Goods	0	0	0	0	0	0	0
<b>Gross Profit</b>	<b>0</b>	<b>41</b>	<b>591</b>	<b>400</b>	<b>991</b>	<b>3,050</b>	<b>11,355</b>
<b>Gross Margin</b>				<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Administration	3	161	266	220	486	1,340	3,850
% of total revenue	-	-	45%	55%	49%	44%	34%
Professional fees	35	338	52	55	107	130	170
% of total revenue	-	-	9%	14%	11%	4%	1%
Directors remuneration	0	41	46	45	91	105	145
% of total revenue	-	-	8%	11%	9%	3%	1%
Total expenses	38	539	364	320	684	1,575	4,165
<b>EBITDA</b>	<b>(38)</b>	<b>(498)</b>	<b>227</b>	<b>80</b>	<b>307</b>	<b>1,475</b>	<b>7,190</b>
<b>EBITDA Margin</b>			<b>38.4%</b>	<b>20.0%</b>	<b>31.0%</b>	<b>48.4%</b>	<b>63.3%</b>
Depreciation and other	0	(2,011)	(52)	(52)	(104)	(125)	(145)
<b>Pre-Tax Income</b>	<b>(38)</b>	<b>(2,508)</b>	<b>175</b>	<b>28</b>	<b>203</b>	<b>1,350</b>	<b>7,045</b>
<b>Pre-Tax Margin</b>				<b>7.0%</b>	<b>20.5%</b>	<b>44.3%</b>	<b>62.0%</b>
Taxes (benefit)	0	0	0	0	0	0	0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Income (loss)</b>	<b>-£38</b>	<b>-£2,508</b>	<b>£175</b>	<b>£28</b>	<b>£203</b>	<b>£1,350</b>	<b>£7,045</b>
<b>Net Margin</b>				<b>7.0%</b>	<b>20.5%</b>	<b>44.3%</b>	<b>62.0%</b>
<b>EPS, as reported</b>	<b>-£38.0000</b>	<b>-£0.0209</b>	<b>£0.0018</b>	<b>£0.0002</b>	<b>£0.0016</b>	<b>£0.0068</b>	<b>£0.0352</b>
Diluted Shares Outstanding	1	119,955	97,263	158,000	127,631	197,500	200,000

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – Vinanz Limited – Balance Sheet (£000)

August year-end	FY2025E	FY2024E	FY2023A	FY2022A
<b>Balance sheet</b>				
Current Assets				
Cash and S.T.I.	£746	£264	£156	£0
Trade receivables	1,200	350	109	20
Inventories	0	0	0	0
Other assets	0	0	0	0
<b>Total Current Assets</b>	<b>1,946</b>	<b>614</b>	<b>265</b>	<b>20</b>
Net PP&E	600	400	235	0
Goodwill & Intangibles	900	660	147	0
Other non-current assets	100	0	0	0
<b>Total Assets</b>	<b>£3,546</b>	<b>£1,674</b>	<b>£647</b>	<b>£20</b>
Current Liabilities				
Trade and Other payables	£200	£75	£73	£35
Current portion of borrowings	\$0	\$3	\$3	\$23
Deferred revenue	\$0	\$0	\$0	\$0
Other current liabilities	\$0	\$0	\$0	\$0
<b>Total current liabilities</b>	<b>200</b>	<b>78</b>	<b>75</b>	<b>58</b>
Interest bearing borrowings	0	0	0	0
Other Liabilities	0	0	0	0
<b>Total Liabilities</b>	<b>200</b>	<b>78</b>	<b>75</b>	<b>58</b>
Stockholders' Equity				
Preferred stock	0	0	0	0
Share Capital	1,939	1,939	1,939	0
Additional paid-in-capital	2,400	2,000	1,179	0
Retained earnings	(993)	(2,343)	(2,546)	(38)
Cum. Other comp and treasury stock	0	0	0	0
<b>Total stockholders' equity</b>	<b>3,346</b>	<b>1,596</b>	<b>572</b>	<b>(38)</b>
<b>Total Liabilities and equity</b>	<b>£3,546</b>	<b>£1,674</b>	<b>£647</b>	<b>£20</b>

Source: Company reports and Litchfield Hills Research LLC

Figure 9 – Vinanz Limited – Cash Flow (£000)

	FY25E	FY24E	FY23A
Net Income	\$1,350	\$203	(\$2,508)
Trade receivables	(850)	(241)	(89)
Inventories	0	0	0
Other assets	0	0	0
Net PP&E	(200)	(165)	(235)
Goodwill & Intangibles	(240)	(513)	(147)
Other non-current	(100)	0	0
Trade and Other payables	125	2	38
lease liabilities	0	0	0
Current portion of borrowings	(3)	0	(20)
Deferred revenue	0	0	0
Other current liabilities	0	0	0
Interest bearing borrowings	0	0	0
Other Liabilities	0	0	0
Preferred stock	0	0	0
Share Capital	0	0	1,939
Additional paid-in-capital	400	821	1,179
Cum. trans. adj. and treasury stock	0	0	0
Other	0	0	0
Total Cash Flow	\$482	\$108	\$156

Source: Litchfield Hills Research LLC

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