



Management Discussion & Analysis

Q4 / FY'2024



Phoenix Group's Bitcoin Mining Revenue Soars 236% YoY, Fuelled by Strategic Global Expansion

Phoenix Group delivers phenomenal growth of almost 1852% since 2022 in its mining vertical.

“

These results are a testament to our unwavering commitment to innovation and strategic growth on a global scale. The past year has been pivotal for Phoenix Group, marked by significant expansion and enhanced profitability. We are not simply navigating the digital asset revolution – we are shaping it. With a strong foundation and a clear vision, we are confident in delivering continued value to our shareholders and stakeholders worldwide.”



Munaf Ali

Co-Founder & Group CEO

NAME OF THE LISTED
COMPANY

PHOENIX GROUP PLC

THE PERIOD OF THE
FINANCIAL STATEMENTS
COVERED BY THE
REPORT

Q4 / FY' 2024

OVERVIEW OF THE
RESULTS DURING THE
FINANCIAL PERIOD

Phoenix Group PLC (ADX: PHX) is pleased to announce an impressive **236%** y-o-y growth in Bitcoin mining revenue in-line with its focus on this vertical as its strategic bet in FY' 2024. The mining revenue in 2024 stands at **\$107M** compared to \$32M in 2023 and \$5.4M in 2022 marking a surge of **1852%** between 2022 and 2024. Industry challenges emanating from halving and bearish crypto market, specifically Bitcoin price during most of the year (until November 2024) kept the overall gross revenue from all verticals on a lower side at **\$206M** down 29% y-o-y.

The company earned a net income of **\$167M** down 19% y-o-y due to multiple one-off transactions in Q4'24, adjusting for which net income is **\$193M** down 7.2% y-o-y. The one-off items include cost to Company for exiting CIS region as part of a strategic move to optimize its sites and geographically align in more suitable regions as part of its global expansion. Company reported an adjusted net income of **\$30M** in Q4'24.

Self-mining gross margin substantially improved to **24%** in Q4'24 vs a mere 5% in Q3'24 on the back of an average 37% increase in Bitcoin price and a 6% improvement in efficiency mainly coming from sites in US and Canada.

The company managed contribution of **15.0 EH/s** of processing power where its share in network remained constant at **1.9%**.

SECURITIES ISSUED
DURING THE FINANCIAL
PERIOD

None

SUMMARY OF THE MOST IMPORTANT NON-FINANCIAL EVENTS AND DEVELOPMENTS DURING THE FINANCIAL PERIOD

Key developments for the financial year ending 2024 include:

1. Launch of new sites in US, Canada and Oman totaling **160 MW**
2. New digital asset investments including SOL, ETH, FAH, UNCN, LVLY and Ton
3. Signed agreements for new sites including Ethiopia (132MW), Texas (20 MW) totaling **152 MW**
4. Collaboration with **Tether Foundation** on launch of dirham backed stablecoin

SUMMARY OF THE OPERATING PERFORMANCE DURING THE FINANCIAL PERIOD

The revenue for Q4 '24 clocked in at **\$49M** up 38% q-o-q. The growth was mainly led by self mining and trading.

Self-mining posted a **13%** q-o-q growth on the back of 37% increase in Bitcoin price after US elections (Avg BTC price \$83K vs \$61K in Q3'24).

Trading revenue was **\$15.3M** up from \$2.7M last quarter. The growth in trading revenue is mainly on the back of exit from CIS as the miners' inventory was sold to exit the site.

Hosting revenue declined by 38% to **\$4M** in Q4'24 from \$6.7M in Q3'24. The decline was in line with the strategy to phase out customers in CIS as site have been exited and we want to continue focus on mining income.

The company reported an increase in hash rate from 12.1 EH/s in Q3'24 to **15.0 EH/s** in Q4'24 despite exit from CIS as its biggest site Citadel went 100% live after curtailment in Q3'24 and its new site in Canada went live.

SUMMARY OF THE PROFIT AND LOSS DURING THE FINANCIAL PERIOD

All Numbers in USD

| | FY 2024 | FY 2023 | Y/Y |
|---|--------------------|--------------------|--------------|
| Revenue from contract with customers | 205,685,956 | 288,186,931 | -28.6% |
| Cost of goods sold | (179,670,033) | (199,325,057) | -9.9% |
| Gross profit | 26,015,923 | 88,861,874 | -70.7% |
| Total OPEX (Exc; Other Income and dep) | (68,212,392) | (41,056,353) | 66.1% |
| Total Income from Investments (Inc; Other Income) | 232,884,304 | 160,829,212 | 44.8% |
| EBITDA | 190,687,835 | 208,634,733 | -8.6% |
| Finance Income | 1,115,256 | 273,151 | 308.3% |
| Depreciation/Amortizaion on PPE, ROU, and Intangibles | (14,545,375) | (795,265) | 1729.0% |
| Finance costs | (10,265,396) | (333,145) | 2981.4% |
| Profit for the year | 166,992,320 | 207,779,474 | -19.6% |
| Corporate tax expense | 380,157 | - | NA |
| Profit after Tax | 167,372,477 | 207,779,474 | -19.4% |
| Other comprehensive income for the year | 51,459,796 | 13,156,526 | 291.1% |
| Total comprehensive income for the year attributable to the shareholders | 218,832,273 | 220,935,999 | -1.0% |
| EPS | 0.028 | 0.040 | -30.0% |

| | Q4'24 | Q4'23 | Q3'24 | Y/Y | Q/Q | Q4'24 Normalised | Normalised, Q/Q |
|----------------------------------|------------|------------|------------|-----------|---------|------------------|-----------------|
| Gross Revenue | 49,573,412 | 58,609,053 | 35,973,811 | -15% | 38% | 40,092,538 | 11% |
| Self Mining | 30,092,189 | 11,755,364 | 26,633,893 | 156% | 13% | 30,092,189 | 13% |
| Hosting | 4,123,436 | 25,215,052 | 6,651,339 | -84% | -38% | 4,123,436 | -38% |
| Trading | 15,357,787 | 21,638,637 | 2,688,579 | -29% | 471% | 5,876,913 | 119% |
| Gross Margin | -48% | 10% | 9% | -58.5 pp | -58 pp | 15% | 7 pp |
| Self Mining | 24% | 49% | 5% | -24.9 pp | 19 pp | 24% | 19 pp |
| Hosting | 4% | 11% | 9% | -7.3 pp | -6 pp | 4% | -6 pp |
| Trading | -204% | -12% | 47% | -191.9 pp | -251 pp | -19% | -66 pp |
| Hash Rate Avg | 15.0 EH/s | 15.7 EH/s | 12.1 EH/s | -4% | 24% | | |
| Contribution in global hash rate | 1.9% | 3.1% | 1.9% | -1.3 pp | -0.1 pp | | |

SUMMARY OF FINANCIAL POSITION AS AT THE END OF THE FINANCIAL PERIOD

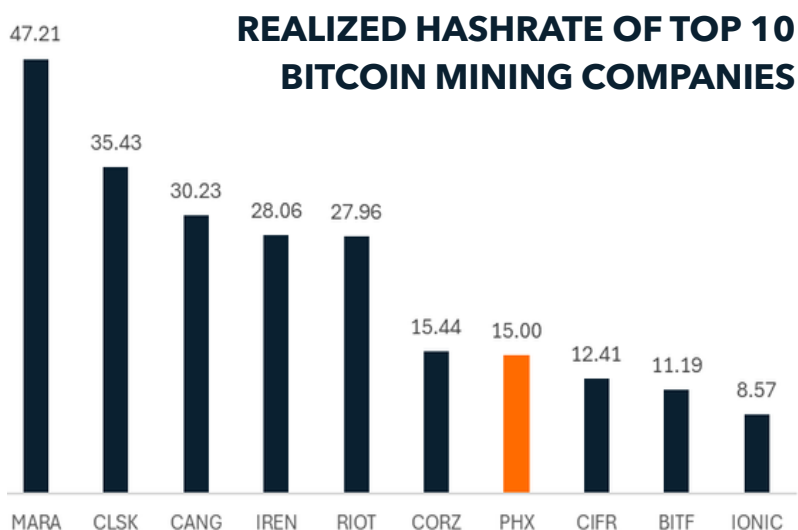
Total Digital Assets: **USD 441.5M**

Total Assets: **USD 962.4M**

Total Equity: **USD 891.7M**

SUMMARY OF PEER COMPARISON VIS.A.VIS REGIONAL AND INTERNATIONAL BTC MINERS

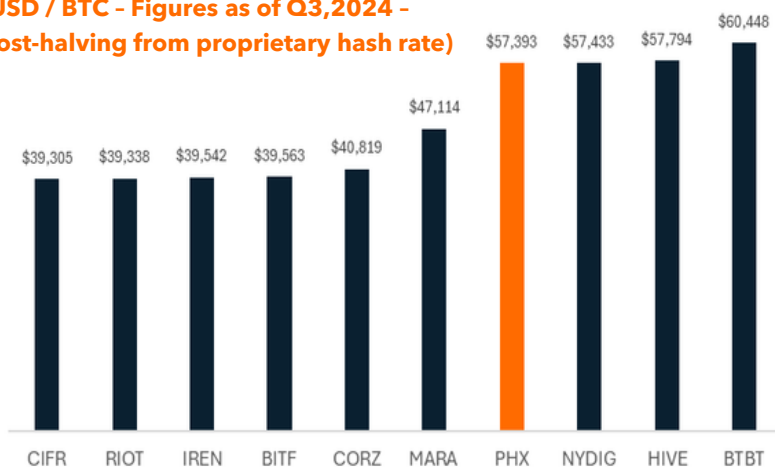
Ranked amongst top 10 bitcoin mining companies based on latest available data.
Q4/FY' 2024



IMPLIED COST OF MINING 1 BTC

(USD / BTC - Figures as of Q3,2024 -

Post-halving from proprietary hash rate)



Source:
SEC Filing, TheMinerMag, PHOENIX GROUP PLC
Internal Data Matrices

FUTURE PLANS FOR GROWTH AND CHANGES IN OPERATIONS IN FUTURE PERIODS

- Continue to invest in modern highly efficient mining technologies and power sites to gain access to competitive energy prices.
- Continue to optimise existing sites and minimise geographic or regulatory risks.
- Continue to seek access to attractive investment opportunities in complimenting tech and web3 sectors with focus on tokenization.
- Develop sites in Ethiopia and Texas (US) totaling 152 MW with latest state of the art mining infrastructure.
- Collaborate with AI-centric enterprises to evaluate data center needs and create a strategic plan and framework to find synergies in the backdrop of rush for power globally.
- Consider listing on an exchange in the US.

SECTOR & INDUSTRY UPDATE

The cryptocurrency market, in general, and Bitcoin, in particular, continue to be recognized as an asset class alongside traditional asset classes. The improved sentiment following increased institutional adoption through ETFs and proxies such as MicroStrategy has driven significant demand for Bitcoin, pushing its price from \$42K in 2023 to a recent all-time high of \$109K.

In Q4' 2024, the market experienced a major rally after the U.S. elections, as investors anticipated a pro-crypto government. Additionally, Bitcoin continues to reinforce its primary use case as a store of value and a natural hedge against liquidity cycles. The surge in Bitcoin's price has increased the potential returns from crypto mining, leading to a substantial rise in network hash rate from 530 EH/s at the end of December 2023 to 785 EH/s by December 2024, significantly enhancing network security. However, the combination of a higher hash rate and the Bitcoin halving event during the year worsened mining economics for older miners, making it difficult for them to remain profitable. In contrast, leading mining companies adopted the latest miner models released by OEMs (Original Equipment Manufacturers), allowing them to offset the impact of halving and rising difficulty. These advanced models enabled miners to maintain the same output at a much lower cost.

THE DEVELOPMENTS OF
THE IMPLEMENTATION
OF PROJECTS, PLANS
AND TRANSACTIONS
AND DEALS THAT WERE
DISCUSSED BY THE
COMPANY'S BOARD OF
DIRECTORS IN THE
REPORT FOR THE
PREVIOUS FISCAL YEAR

The company's board of directors noted the progress in implementation of the company's strategy and continued efforts for good corporate governance and have demonstrated their support through several board meetings held during the year. The board is expected to meet again to assess progress on various initiatives as well as review and approve the financial statements for the year ended 31 December 2024.

Disclaimer

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FOR FURTHER DETAILS, PLEASE FEEL FREE TO REACH OUT TO US AT

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