



PHOENIX

Q1 2024
MANAGEMENT
DISCUSSION & ANALYSIS

MAY 16, 2024

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NAME OF THE LISTED
COMPANY

PHOENIX GROUP PLC

THE PERIOD OF THE
FINANCIAL STATEMENTS
COVERED BY THE REPORT

First Quarter 2024

OVERVIEW OF THE RESULTS
DURING THE FINANCIAL
PERIOD

The revenue for Q1'24 clocked in at \$69M down 16% Y/Y. The decline was mainly led by a lower number of trading deals vs Q1 last year. Overall self-mining revenue grew exponentially by 288% Y/Y because of business strategy to go long on BTC mining.

The company witnessed an exponential increase in gain from investments which grew from a mere \$360K to \$82.1M. The gain is mainly relating to 1) investment in MMX token 2) gain on bitcoin and 3) rebates received on contracts to purchase miners.

Overall profit for the period grew 166% Y/Y largely aided by gains on other investments, partially offset by provision for income tax and one-off finance cost of \$8.3M which was paid on financing of 7.5% share in citadel.

SECURITIES ISSUED DURING
THE FINANCIAL PERIOD

None

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

- Company was awarded “**BITCOIN MINING COMPANY OF THE YEAR 2024**” by Entrepreneur ME
- We maintained our position as one of the top 5 crypto mining companies in the world.

SUMMARY OF THE
OPERATING PERFORMANCE
DURING THE FINANCIAL
PERIOD

The revenue for Q1'24 clocked in at \$69M up 18% Q/Q . The growth in revenue was mainly led by 28% increase in trading revenue and 84% increase in self-mining on the back of 1) rally in BTC price, 2) launch of Oman site.

The revenue gain was partially offset by a 22% decline in hosting revenue due to minimal digital mining deals and intentional prioritization of capacity allocation to self-mining.

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SUMMARY OF THE PROFIT AND LOSS DURING THE FINANCIAL PERIOD

USD'000			
	Q1'24	Q1'23	Y/Y
Revenue from contract with customers	68,932	81,948	-16%
Cost of goods sold	-45,654	-53,351	-14%
Gross profit	23,278	28,597	-19%
Total OPEX	-25,489	-3,270	679%
Income from Investments	82,144	-360	NA
Profit Before Tax	72,693	24,877	192%
Provision for Income Tax	-6,542	0	NA
Profit After Tax attributable to shareholders	66,150	24,877	166%

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

Total Digital Assets: \$273.2M
Total Assets: \$879.3M
Total Equity: \$774.4M

MAIN PERFORMANCE INDICATORS

	Q1'24	Q1'23	Y/Y
Gross Revenue	68,932,065	81,948,208	-16%
Trading	27,669,825	62,642,281	-56%
Hosting	19,515,937	13,383,962	46%
Self Mining	21,599,865	5,901,596	266%
Service Income	146,438	20,369	619%
Gross Margin	34%	35%	-1 pp
Trading	41%	39%	2 pp
Hosting	6%	12%	-6 pp
Self Mining	49%	44%	5 pp
Total Power Capacity	765 MW	495 MW	55%
Hash Rate Qtr end	15.9 EHs	9.65 EHs	65%
Contribution in global hash rate	2.6%	2.8%	-0.2 pp

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**EXPECTATIONS FOR THE
SECTOR AND THE
COMPANY'S ROLE IN
THESE EXPECTATIONS**

The bitcoin blockchain underwent a fourth halving cycle around 20th April leading to a 50% reduction in block reward from 6.25 BTCs to 3.125 BTCs. Halving is a game changer event in bitcoin ecosystem as it makes the asset scarcer and more valuable.

The halving has resulted in BTC generation per EHs to go down from 1.7 BTCs pre-halving to 0.8 post halving.

Though halving is a negative event for miners in the short term however it has proved to be a catalyst for the next bull run over medium to long term hence helping efficient miners while eliminating inefficient ones.

To beat the headwinds from this halving cycle, Phoenix has entered strategic partnership with miner manufacturers to have early access to upcoming latest and more efficient models which will be deployed in our new sites (Oman, US, Canada and new sites under consideration).

Besides obtaining access to latest mining technology, Phoenix is building a pipeline of projects with access to lower energy prices.

**EXPECTATIONS
REGARDING THE
ECONOMY AND ITS
IMPACT ON THE
COMPANY AND THE
SECTOR**

The global economy has been battling high inflation since the end of Covid-19 with high interest rates. The inflation has shown promising signs of cooling leading to central banks across the globe now expecting sooner rate cuts which will reduce the cost of capital.

The higher interest rates are considered detrimental to digital assets space in the short term as investors rush away from riskier investments. We expect this sector to again come into limelight as soon as interest rates begin to decrease in the next six to nine months.

The launch of bitcoin ETFs has already sparked a notable interest for digital assets amongst traditional investors who were once away from this sector. Overall, the global consensus on crypto as an asset class continues to be reinforced.

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**FUTURE PLANS FOR
GROWTH AND CHANGES
IN OPERATIONS IN FUTURE
PERIODS**

- Continue to invest in modern highly efficient mining technologies and sites to gain access to competitive energy prices.
- Continue to seek access to attractive investment opportunities in complimenting tech and web3 sectors with focus on tokenization.

**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.



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

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