



PHOENIX

Q2 **2024**
MANAGEMENT
DISCUSSION & ANALYSIS

NAME OF THE LISTED COMPANY

PHOENIX GROUP PLC

THE PERIOD OF THE FINANCIAL STATEMENTS COVERED BY THE REPORT

Second Quarter 2024

OVERVIEW OF THE RESULTS DURING THE FINANCIAL PERIOD

Phoenix Group PLC (ADX: PHX) has announced a stellar 141% y-o-y net profit increase in Q2, 2024. The net profit for this quarter stands at USD 56.1 million, up from USD 23.2 million in Q2 2023, largely driven by gains on investments in digital assets – Solana and MMX tokens.

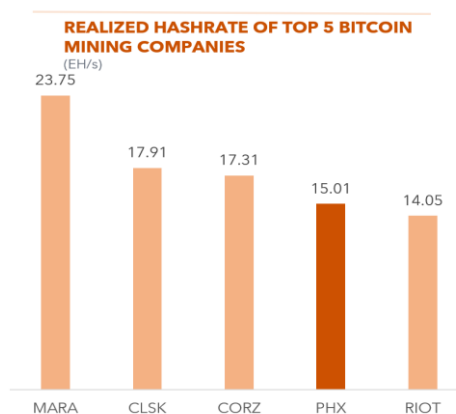
- Total assets surged by 188% y-o-y in H1,2024, soaring to \$919.6 million from \$319.8 million.
- The quarter-over-quarter growth in total assets stands at 4.6%.
- Net profit saw a robust 141% y-o-y rise, amounting to \$56.1 million in Q2, 2024 .
- Self-mining business grew by 32% to reach \$28.5 million in Q2, 2024 as compared to USD 21.6 million in Q1, 2024.
- Revenue experienced a 35% y-o-y decline, reaching \$51 million.
- The earnings per share for Q2 2024 amounted to \$0.009.

SECURITIES ISSUED DURING THE FINANCIAL PERIOD

None

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

- The Bitcoin blockchain underwent a fourth halving cycle which resulted in 50% reduction in mining reward.
- 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 Q2 '24 clocked in at USD 51 million down 26% q-o-q. The decline was mainly led by trading with 82% decline q-o-q as fewer machines were sold due to change in market dynamics post halving. Hosting also posted a 10% decline in revenue q-o-q as customers opted to pause machines due to unattractive mining ROI post-halving and increase in electricity prices.

In line with our strategy, our self-mining business continued to robustly grow with 32% q-o-q growth despite lower rewards after halving. The growth in self-mining was achieved with increase in hash rate as new sites in US and Oman went live.

The company delivered strong returns from its token investments which grew to USD 58.9M in Q2'24 from USD 2.1M in Q2'23. The gain was driven by an impressive price rally in Solana and MMX tokens.

SUMMARY OF THE PROFIT AND LOSS DURING THE FINANCIAL PERIOD

All Numbers in USD	Q2'24	Q2'23	Y/Y
Revenue from contract with customers	51,206,667	78,858,931	-35%
Cost of goods sold	-33,656,565	-52,521,001	-36%
Gross profit	17,550,102	26,337,930	-33%
Total OPEX	-14,264,288	-5,062,484	182%
Income from Investments	58,891,625	2,074,770	NA
Profit Before Tax	61,641,092	23,274,816	165%
Provision for Income Tax	-5,506,962	0	NA
Profit After Tax attributable to shareholders	56,134,130	23,274,816	141%

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

Total Digital Assets: USD 321.3M
Total Assets: USD 919.6M
Total Equity: USD 822.5M

MAIN PERFORMANCE INDICATORS

	Q2'24	Q2'23	Y/Y
Gross Revenue	51,206,667	78,858,931	-35%
Trading	5,117,401	52,773,306	-90%
Hosting	17,572,399	18,857,665	-7%
Self Mining	28,516,867	7,227,960	295%
Service Income	0	0	NA
Gross Margin	31%	33%	-2 Pp
Trading	40%	39%	2 Pp
Hosting	16%	6%	11 Pp
Self Mining	39%	67%	-28 Pp
Total Power Capacity	765 MW	495 MW	55%
Hash Rate Qtr end	15.0 EHs	11.6 EHs	65%
Contribution in global hash rate	2.6%	3.1%	-0.6 Pp

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, it has proven 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 Group 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 other 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 introduction of Bitcoin ETFs and the recent launch of Ethereum ETFs have significantly piqued the interest of institutional investors who previously stayed away from digital assets.

As the 2024 election season heats up, cryptocurrencies are receiving notable attention in Washington, D.C. The US Senate's supportive stance on digital assets, particularly Bitcoin, and the expected potential recognition of Bitcoin as a strategic reserve asset, could further bolster the market.

In the short term, higher interest rates are seen as a negative factor for the digital assets space, as investors tend to shy away from riskier investments. However, we anticipate that this sector will regain prominence once interest rates start to decline, which is expected to happen in H2,2024.

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.
- Incremental capacity of 400-500MW is expected as new contracts are being finalized.
- Closely monitor market evolution and the prices of bitcoin and electricity, adjusting our blend of revenue streams by balancing our self-mining operations and hosting services to maximize profits.
- 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.

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.



Q2 2024

MANAGEMENT DISCUSSION & ANALYSIS

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

Soheib Ghizali — Head of Investor Relations

**Contact**

+971 52 675 0401

**Email**

soheib@phoenixgroupuae.com

Abu Dhabi, United Arab Emirates

**Landline**

+971 2 418 7564

**Address**

3412, 34 Floor, Al Maqam Tower, Regus Adgm
Square, Al Maryah Island, Abu Dhabi, United
Arab Emirates

**PO Box Number**

35665

Dubai, United Arab Emirates

**Landline**

+971 4 436 2374

**Address**

Office 2901, Floor 29, Boulevard Plaza Tower 2,
Burj Khalifa District, Downtown, Dubai, UAE

**Investor Relations**

ir@phoenixgroupuae.com