

UPDATE NOTE

ENERGY TRANSITION & SUSTAINABLE INVESTING

Soluna Holdings, Inc.

AI Ramping Up; Project Dorothy Moves into Final Phase before Operations

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KEY POINTS

- **First AI customer now installed at Project Sophie.** Soluna announced the successful completion of the installation of GPUs for its co-location partnership with a GPU startup specializing in AI computing services. This is an important step for the company that will both expand the end market for Soluna's data center solutions and diversify its customer base beyond crypto mining application. The GPUs are installed at the company's 25MW Project Sophie facility in Kentucky, which relies on hydropower and uses Soluna's Modular Data Center design that uses no water or air conditioning for cooling.
- **Soluna's AI Cloud venture launched.** Coinciding with the GPU installation at Project Sophie, the company launched its AI Cloud venture, which will offer AI clients access to low-carbon and low-cost renewable powered computing. In addition to the GPU installation at Project Sophie, Soluna is developing a new 2MW purpose designed AI data center called Helix, which is part of the 50MW expansion at Project Dorothy.
- **Project Dorothy 2 takes another step toward energization and significant EBITDA contributions.** The company announced that the project passed the ERCOT modeling phase, which should put the 50MW project in the final phase toward energization. Project Dorothy 2 has an attractive return profile and the potential to generate up to \$14 million in annual project-level operating profit contributions to Soluna. While we expect the company to engage a partner to fund the capex similar to Project Dorothy 1, Soluna is in a much stronger position than it was when it negotiated partnerships for the first 50MW at Project Dorothy.
- **Agreement with convertible note holders removes an overhang and opens a path for more attractive growth financing options.** The company recently reached a fourth amendment with the convertible noteholders that will adjust the exercise price of existing warrants and give them additional warrants upon exercise. The agreement can raise \$3 million through the warrant exercise and also allows for an at-the-market offering (ATM) mechanism with a floor of \$10 per share. Soluna is now in a much stronger position as it looks to shape its future capital structure at both the project and corporate level. The company was adjusted EBITDA positive in 3Q23 and cash stood at \$5.6 million, up from \$1.1 million at YE22.

KEY STATISTICS

| | |
|--------------------------------|---------------|
| Ticker:Exchange | SLNH:NASDAQ |
| Current Price | \$2.88 |
| 52-Week Range | \$2.09-\$9.75 |
| Average Volume (30-Day) | 119,134 |
| Shares Outstanding (MM) | 1.6 |
| Market Cap (\$MM) | \$4.6 |
| Fiscal Year-End | December |

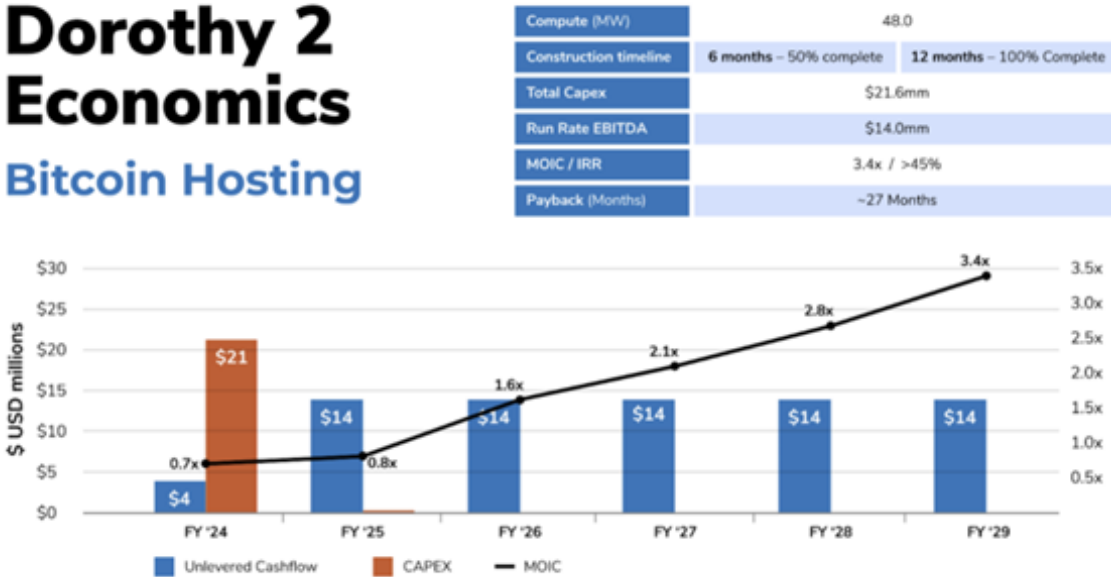
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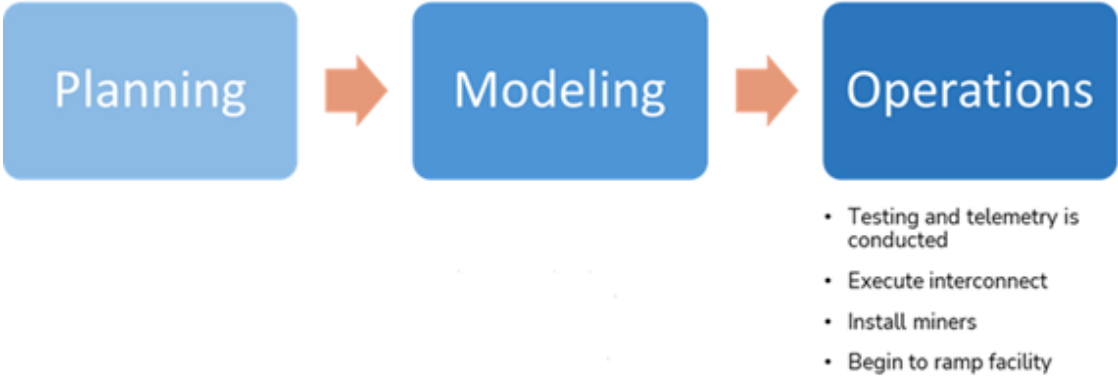
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Figure 1: Dorothy 2 Economics



Source: Company reports, Water Tower Research

Figure 2: Project Dorothy 2 Path with ERCOT



Source: Company reports, Water Tower Research

ABOUT THE ANALYST



Graham Mattison

Senior Research Analyst

Graham Mattison brings more than 20 years of experience in equity research, investor relations, and corporate operations, growth, and development. Graham was the Investor Relations Officer for two NASDAQ-listed companies where he led multiple equity raises as well as managed an activist investor campaign, M&A and corporate restructuring, and a NASDAQ delisting and relisting.

Previously, he was a Senior Equity Research Analyst, most recently at Lazard Capital Markets, covering the industrial and cleantech industries. He began his career in Southeast Asia as an Investment Analyst for Daiwa Securities. He was also co-founder of an online residential real estate start-up that developed a web-based auction platform.

Graham received his BA in East Asian Studies with minors in Economics and History from Hobart College and his MBA in Finance with honors from the Thunderbird International Business School at Arizona State University. He is an Investor Relations Charter (IRC) holder from the National Investor Relations Institute.

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