



Long Ideas

Industrial



Greenidge Generation Holdings: Potential Upside Ahead Of New Green Mining Tech Launch In 2022

Dec. 03, 2021 8:23 AM ET | **Greenidge Generation Holdings Inc. (GREE)** | ARGO, BITF, BTC-USD... | 1 Comment | 3 Likes

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Summary

- Greenidge's total revenue in Q3 2021 surged 484% (YoY) at \$35.8 million and +121% against the prior quarter.
- Ahead of its release on July 2022, the Antminer S19 XP is scheduled to have a maximum hashrate of 140 TH/s and a power consumption of 3010W.
- By the third quarter of 2021, Greenidge had increased the number of Bitcoins mined from 246 in Q3 2020 to 729 in 2021 (+196.34%) and up from 315 in Q2.
- US Bitcoin mining companies are scheduled to increase their capacities by more than 270% (from 17.83 EH/s to 67.34 EH/s).

- Expansion of Canadian BTC mining giant Bitfarms Ltd into the US is expected to increase US green mining capacity in 2022.



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Cryptocurrency miners have been accused of having an insatiable thirst for energy during the production of digital coins. Rising prices have attracted mining entrepreneurs as demand continues to hit the roof. Bitcoin ([BTC-USD](#)) the most common crypto with a market cap of \$1.07 trillion has seen its price soar past its April 2021 highs to reach \$68,000. Incidentally, mining Bitcoin [consumes](#) approximately 91 terawatt-hours of electricity per year. By comparison, this amount of energy exceeds Finland's annual consumption rate and represents 0.5% of the global consumption level.

Against this backdrop, mining companies have worked to demonstrate the usage of clean energy in a bid to woo investors. The institutionalization of Bitcoin has seen its acceptance in the mainstream financial world despite its decentralized status. Tesla ([TSLA](#)) CEO Elon Musk activated this discussion by [stating](#) that the company would resume accepting Bitcoin payments if mining became cleaner. Even so, the move towards actualizing sustainable production of Bitcoins has formed the blueprint for development in many countries including the US.

Thesis

Greenidge Generation Holdings, Inc. ([GREE](#)) selection as a launch partner for Bitmain's Antminer S19 XP demonstrates its commitment to carbon-neutral mining of Bitcoin. The company's vertical mining and power-generation integration is another add-on that will steer the company towards profitability. In this article, I will explain why I am bullish on this stock with a focus on its continued push towards sustainable Bitcoin production.

Strong Financial Data

In the year-to-date analysis, BTC has had a price return of 92.13% against the S&P 500 at 25.55% and GREE at -0.52%.



Source: Seeking Alpha

Total revenue for the company in Q3 2021 surged 484% (YoY) at \$35.8 million and +121% against the prior quarter. Mining revenue was up by almost 1,000% at 924% (YoY) at \$31.2 million.

However, net losses increased by more than 2,500% (YoY) from \$0.3 million in Q3 2020 to \$7.9 million in Q3 2021. It was offset by an increase in net income to \$12.2 million and adjusted EBITDA at \$21.2 million or +59.2% (YoY). With a cash reserve of \$105 million by mid-November 2021, we can see that Greenidge is ready for the new technology launch in 2022.

New Green Tech

Ahead of its release on July 2022, the Antminer S19 XP is scheduled to have a maximum hashrate of 140 TH/s and power consumption of 3010W. This technology uses 21.5 joules/TH instead of the prior S19 Pro technology by Bitmain that used 29.5 J/TH. This means that it uses 27% less electricity (per terahash). It will also provide 37% more computing power (per kilowatt-hour) than the existing Greenidge technology.

While making this [announcement](#), Greenidge CEO Jeff Kirt explained that upon release, the S19 XP will be deployed in one of its 100% carbon-neutral centers. The company is yet to develop a station that will accommodate this next-generation technology and is spoilt for choice between South Carolina or Texas. By the end of 2022, Greenidge's mining capacity is expected to reach 49,000 miners and 4.7 EH/s with this order.

Even as Greenidge debates on where to set the new power facility for the Antminer S19 XP, Bitmain already has 5300 MW energy capacity in Texas. In South Carolina, it has an energy capacity of 170 MW and 3060 MW in Ohio. Texas presents a more affordable option with production ranging at \$0.02-0.025 per kWh. In other states, energy production is priced at \$0.028-0.04 per kWh.



Source: [Hashrate Index](#)

Approximately 20% of the [energy](#) in the State of Texas comes from wind power making Bitcoin mining, an attractive venture offering a greener alternative to China. Already, Riot Blockchain, Inc. ([RIOT](#)) with a market cap of \$4.33 billion acquired Texas-based Whinstone US for \$80 million. The facility, according to Whinstone's administration can produce up to 500 BTC per month worth about \$28 million.

Further, Q2 2021 saw Texas Governor Gregg Abbott ratify into [commercial law](#) cryptocurrency mining. This move would cement the state as a key mining hub in the US and make companies adopt long-term power purchase agreements.

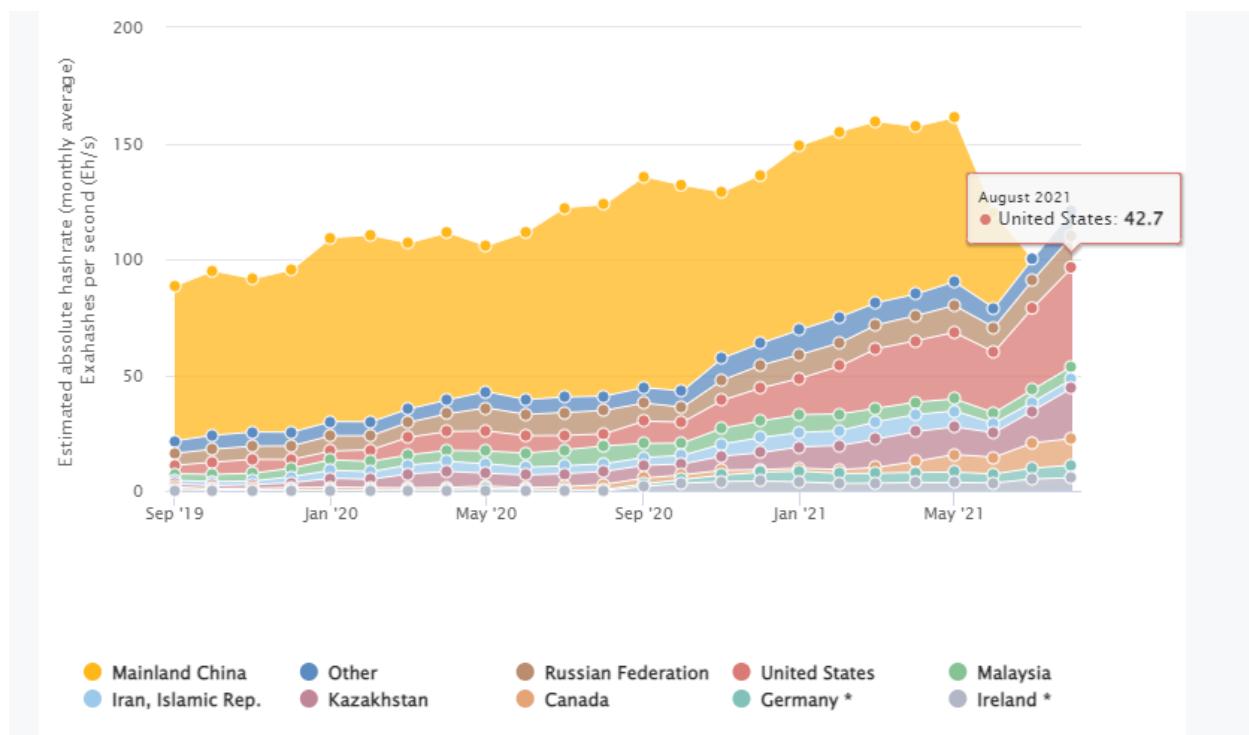
As it stands Bitcoin fans should prepare for this signature crypto to go green (in its mining process) despite its current status as a holder of an enormous carbon footprint.

China's Crackdown

Q2 2021 saw China ban the large-scale mining of Bitcoin. Miners in the region were accustomed to cheap energy located in Sichuan and Xinjiang making the global powerhouse the epicenter of crypto mining. The region of Szechuan was also rich in hydro-power and Xinjiang had coal deposits. The proximity of miners to these areas as well as to silicon chips manufacturers made Bitcoin mining very lucrative.

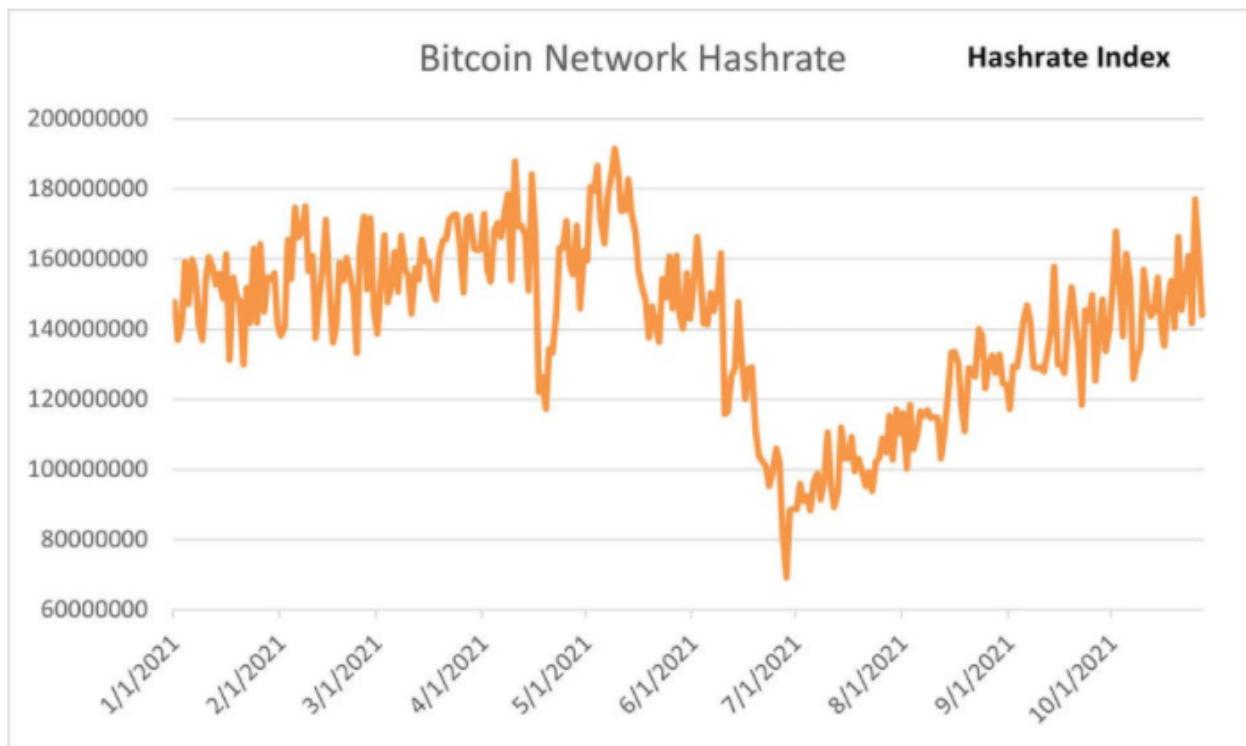
However, the ban made miners relocate to the US and other parts of the world. Of special importance is the availability of different power sources in the US *inter alia* hydro, natural gas, coal, wind, and solar.

China's action dispelled rumors that it controlled Bitcoin giving space for miners to find their way into the US. According to data from Cambridge Bitcoin Mining Map, the US consumed more than 40% of the network hashrate as of August 2021.



Source: [Cambridge Bitcoin Energy Consumption Index](#)

Data released by [Forbes](#) shows that by end of June 2021, Bitcoin's hashrate had declined by more than 50% to 69 exahashes per second (EH/s) from a peak of 190 EH/s in May 2021. At the time, the price of the crypto fell to lows of \$30,000.

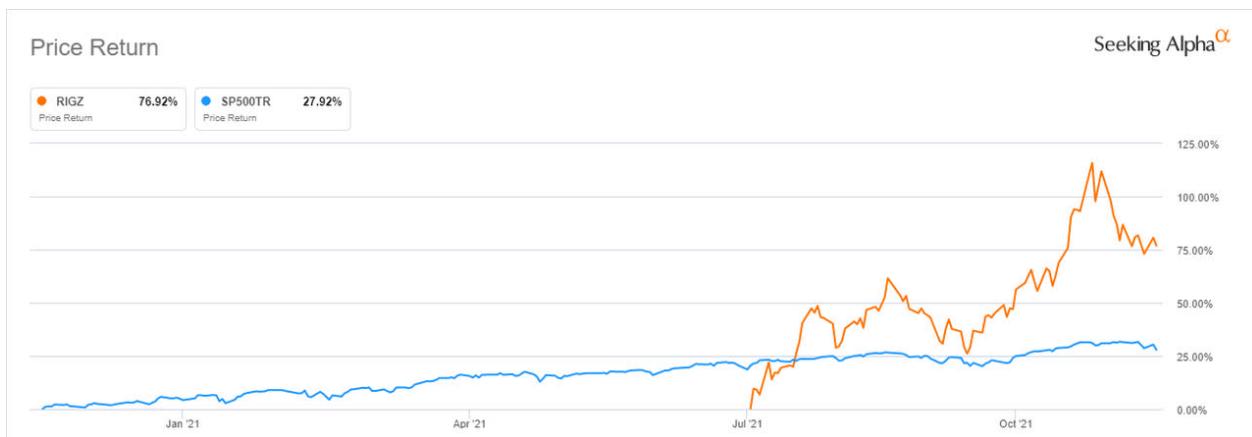


Source: [Forbes](#)

We can here see that the hashrate for mining Bitcoin in the US in the YTD analysis decreased in July 2021 meaning that its difficulty rate was lowest at this time of the year. In fact, by the third quarter of 2021, Greenidge had [increased](#) the number of Bitcoins mined from 246 in Q3 2020 to 729 in 2021 (+196.34%) and up from 315 in Q2 2021. It used up an energy capacity of 1.2 EH/s and deployed a workforce of up to 15,300 miners by the end of the quarter. The total mining workforce increased to 49,000 heading into 2022 with the energy capacity at 4.7 EH/s inclusive of the new S19 XP order.

By inference, more Bitcoins are mined when the hashrate decreases due to the decrease in the difficulty rate. As the cryptocurrency continues to gain traction more mining procedures will take effect. We expect the impact of the Chinese miners who have now settled in the mining farms of North America to turn on their machines. This stimulation is ongoing and the difficulty rate will surge into 2022.

Viridi Cleaner Energy Crypto-Mining & Semiconductor ETF ([RIGZ](#)) has increased by 76.92% since its launch in July 2021 against the S&P 500 at 27.92% over the year.



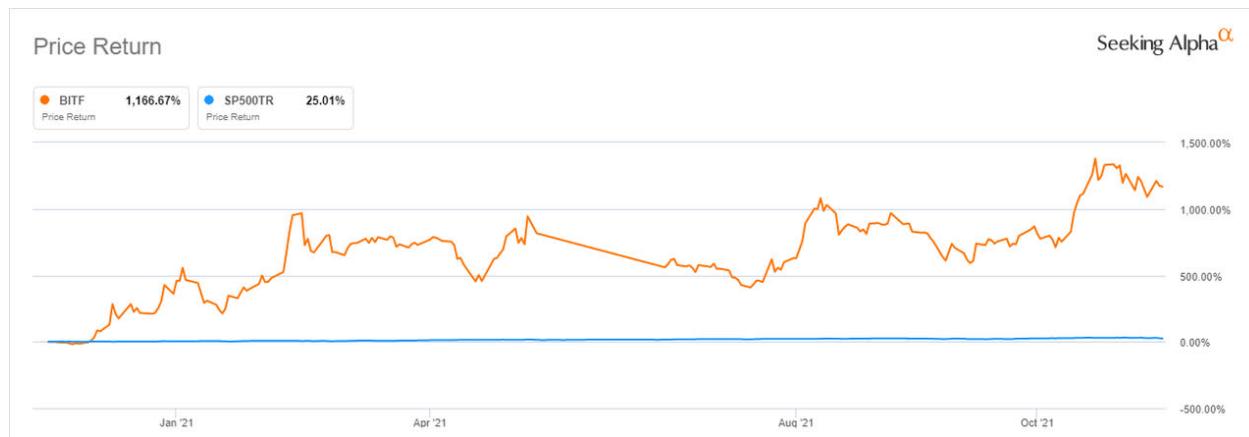
Source: Seeking Alpha

The increase in RIGZ's price return indicates a consecutive gain in mining action with companies especially those located in the US turning to green energy to lower their carbon footprint.

As Greenidge intends to increase its hashrate to 4.7 EH/s heading into 2022, the other US Bitcoin mining companies are scheduled to increase their capacities by more than 270% (from 17.83 EH/s to 67.34 EH/s). For example, Argo Group International (NYSE:ARGO) with a price return of 38.50% in the 1-year analysis plans to increase its energy capacity from 1.075 EH/s (attained by Q3 2021) to 3.7 EH/s by 2022. Like GREE, ARGO is expecting to launch a total of 20,000 new Bitmain Antminer S19J Pro machines by Q2 2022.

ARGO holds in its possession 1,836 BTC as of Q3 2021 after attaining a record EBITDA of \$26 million. The company increased its gross margin by 120% and its mining margin by 85%. It mined 597 BTC into the quarter trailing Greenidge by 132 BTC.

Canadian BTC mining giant, Bitfarms Ltd's (BITF) price return over the past year stood at +1,166.67% with a market cap of \$1.44 billion.



Source: Seeking Alpha

This staggering return was buoyed by Bitcoin's success in the year and the company's planned expansion into the US.

Bitfarms [announced](#) that it had acquired 24 MW of US hydropower in Washington for \$26 million. It was entering an MOU to extend its power capacity to 99 MW. The company intends to obtain 6,200 S19j Pro miners from Bitmain that can handle 620 pentahashes per second (PH/s). Washington also comes out as a state with cost-effective energy production rates.

In total, Bitfarms' mining energy capacity will be 106 MW (after this acquisition). It will also be able to produce 3.7 BTC daily at an average marginal cost of \$4,000. At the current price of BTC \$56,000 BITF's gross profits stand above \$190,000 per day (all factors constant).

Like Greenidge, DMG Blockchain Solutions ([OTCQB:DMGGF](#)) [announced](#) the acquisition of 1,800 Antminer S19 XPs from Bitmain. The company expects that its current hashrate will surge 11.11% into 2022 from 360 Ph/s to 400 Ph/s. In total DMG has purchased 9,500 S19 Pro miners bringing its total hashrate to 1,037 Ph/s.

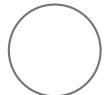
Valuation and earnings growth

Greenidge's earnings are expected to grow by 116.1% per year after the execution of the new green mining technology. At a market cap of \$787 billion, GREE's price-to-book ratio is at 3.3X against the US software industry's 6X average. This ratio means it is a good value-based stock with its return on capital employed (ROCE) at 11.5% in the past 1 year.

Takeaway

Greenidge's selection as a launch customer for the S19 XP new Bitcoin mining technology by Bitmain is a step towards cementing the company's legacy as a carbon-neutral crypto miner. This technology offers 27% less electricity usage, a 40% surge in the hashrate per machine deployed, and a 37% hashrate increase per electrical consumption rate. Since Q3 2020, Greenidge's revenue has increased by more than 484%. It has added close to 200% to the number of Bitcoins mined over the past year. At the current pace, Greenidge is moving in the right direction that is by increasing its Bitcoin in tandem with a decrease in the carbon footprint. In my view, this stock is a strong buy and hold at the current discounted rate.

This article was written by



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I have more than five years experience in the financial industry. I focus mostly in the commodities, foreig... [more](#)

Disclosure: I/we have a beneficial long position in the shares of GREE either through stock ownership, options, or other derivatives. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company

whose stock is mentioned in this article.

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