TECH

Bitcoin miner Core Scientific is filing for Chapter 11 bankruptcy — but plans to keep mining

PUBLISHED TUE, DEC 20 2022•11:30 PM EST | UPDATED WED, DEC 21 2022•3:59 AM EST

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KEY POINTS

- Core Scientific, one of the largest publicly traded crypto mining companies in the U.S., is filing for bankruptcy.
- The company still generates positive cash flow, and

- The stock is down 98% this year as plunging crypto prices and rising energy prices made mining a much harder business.

In this article

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Core Scientific's 104 megawatt Bitcoin mining data center in Marble, North Carolina
Carey McKelvey

Core Scientific, one of the largest publicly traded crypto mining companies in the U.S., is filing for Chapter 11 bankruptcy protection in Texas early Wednesday morning, according to a person familiar with the company's finances. The move follows a year of plunging cryptocurrency prices and rising energy prices.

Core Scientific mines for proof-of-work cryptocurrencies like bitcoin. The process involves powering data centers across the country, packed with highly specialized computers that crunch math equations in order to validate transactions and simultaneously create new tokens. The process

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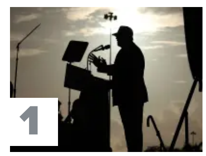

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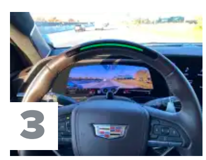

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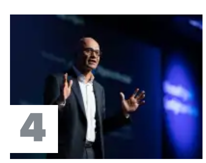

Here's how much money Google estimates Microsoft's cloud business is actually losing requires expensive equipment, some technical know-how, and a lot of electricity.

Core's market capitalization had fallen to $78 million as of end of trading Tuesday, down from a $4.3 billion valuation in July 2021 when the company went public through a special purpose acquisition vehicle, or SPAC. The stock has fallen more than 98% in the last year.

The company is still generating positive cashflow, but that cash is not sufficient to repay the financing debt owed on equipment it was leasing, according to a person familiar with the company's situation. The company will not liquidate, but will continue to operate normally while reaching a deal with senior security noteholders, which hold the bulk of the company's debt, according to this person, who declined to be named discussing confidential company matters.

Core had previously said in a filing in October that holders of its common stock could suffer "a total loss of their investment," but that may not be the case if the overall industry recovers. The deal cut with Core's convertible note holders is structured in such a way that if, in fact, the business environment for bitcoin improves, common equity holders may not get totally wiped out. The company also disclosed that it would not make its debt payments coming due in late Oct. and early Nov. — and said that creditors were free to sue the company for nonpayment.

Core, which primarily mints bitcoin, has seen the price of the token drop from an all-time high above $69,000 in Nov. 2021, to around $16,800 That loss in value, paired with greater competition among miners — and increased energy prices — have compressed its profit margins.

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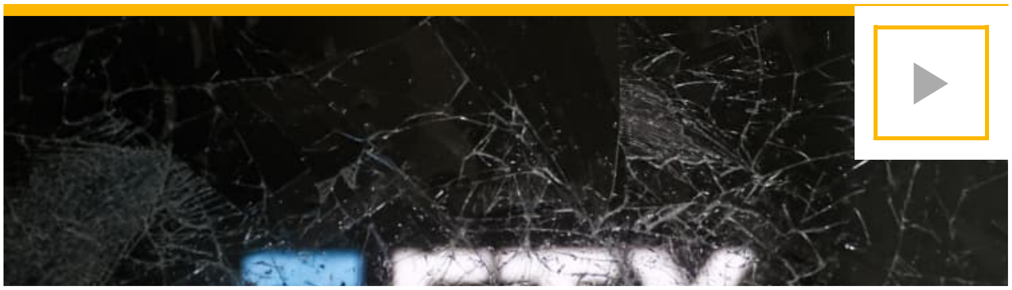
FTX showed investors bought crypto for the wrong reasons. Some are hoping that'll change in 2023

The Austin, Texas-based miner, which has operations in North Dakota, North Carolina, Georgia, and Kentucky, said in its October filing that "operating performance and liquidity have been severely impacted by the prolonged decrease in the price of bitcoin, the increase in electricity costs," as well as "the increase in the global bitcoin network hash rate" — a term used to describe the computing power of all miners in the bitcoin network.

Crypto lender Celsius, which filed for bankruptcy protection in July, was a Core customer. When Celsius' debts were wiped out during its bankruptcy proceedings, that put a strain on Core's balance sheet, in yet another example of the contagion effect rippling across the crypto sector this year.



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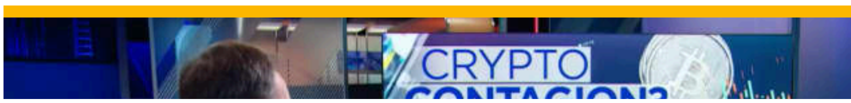
FTX's collapse is shaking crypto to its core. The pain may not be over

Core — which is one of the largest providers of blockchain infrastructure and hosting, as well as one of the largest digital asset miners, in North America — isn't alone in its struggles.

Compute North, which provides hosting services and infrastructure for crypto mining, filed for Chapter 11 bankruptcy in Sept., and another miner, Marathon Digital Holdings, reported an $80 million exposure to Compute North.

Meanwhile, Greenidge Generation, a vertically integrated crypto miner, reported second quarter net losses of more than $100 million in August and hit "pause" on plans to expand into Texas. And shares in Argo plunged 60% after its announcement on Oct. 31 that its plan to raise $27 million with a "strategic investor" was no longer happening.



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The risk of an FTX crypto contagion