

Gryphon Digital Mining (GRYP): Green-Energy Powered Bitcoin Mining

March 2024



Price Target

\$3.37 per share

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Price Target	\$3.37 per share
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Overview

Gryphon Digital Mining is a public Bitcoin miner that recently has been listed on the NASDAQ exchange and has established itself as a leader in sustainability and efficiency. Led by Rob Chang, the management team leverages its many years in the public Bitcoin miner space and utilizes an asset-light business model to compete in this highly competitive industry.

Bitcoin mining involves specialized computers (ASICs) verifying transactions and solving complex mathematical problems to add blocks to the blockchain. Miners compete through computing power to solve these problems, with the first successful miner adding the block and receiving new bitcoins and transaction fees as a reward. The process ensures network security and decentralization, with difficulty adjusting based on how many miners are in the network to maintain a consistent block time.

Bitcoin miners are all preparing for the upcoming [Bitcoin supply halving](#) which occurs every ~4 years and cuts the rewards given to miners in each block by half. This halving is expected to occur in April 2024, and miners that are operating with inefficient and obsolete fleets will not be able to survive. Historically, inefficient miners have been forced to stop operating because the cost to mine a Bitcoin doubles immediately once the halving occurs since the rewards are halved; so, miners must have a strategic plan to mitigate this. The Bitcoin mining space has already seen some consolidation in the market and many public players like [Cleanspark](#) and [Marathon](#) are shopping around for smaller companies to acquire for additional cost synergies and computing power.

Gryphon Digital Mining is well-positioned to outperform less efficient public miners going into the Bitcoin halving this year and can now utilize the public capital markets for its M&A strategy and rely on its seasoned leadership team that has managed through multiple Bitcoin cycles in the past to execute sustainable growth. Additionally, the asset-light model that Gryphon Digital utilizes will enhance its flexibility and enable the company to respond to new developments in the digital asset ecosystem unlike other larger miners in the space.

NASDAQ:GRYP Stock Information

Market Cap	\$97.61 million
Stock Price	\$2.52
24-Hour Volume	\$824,127
Short Interest %	0.03%

24 hour	7 day	14 day
8.15%	33.33%	(38.39%)

Source: CapitalIQ as of 2/26/2024

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Industry - Bitcoin Supply Halving

Bitcoin's code enforces a cap of 21 million coins, with 93.5% already in circulation and the remaining 1 million to be gradually distributed over the upcoming century. The mining reward halves every four years, resulting in a diminishing rate of new Bitcoin creation, making it a deflationary asset. Like in previous cycles, the price of Bitcoin has begun to see material gains in the winter period approaching the next halving; miners demand higher prices for the asset since the rewards get halved. After Bitcoin reaches the previous cycle's all-time-high, price discovery will be unleashed again and the lucrative summer period will start.

Spring

- Beginning of the cycle where the halving occurs
- First four halvings were done during U.S. presidential election years

Winter

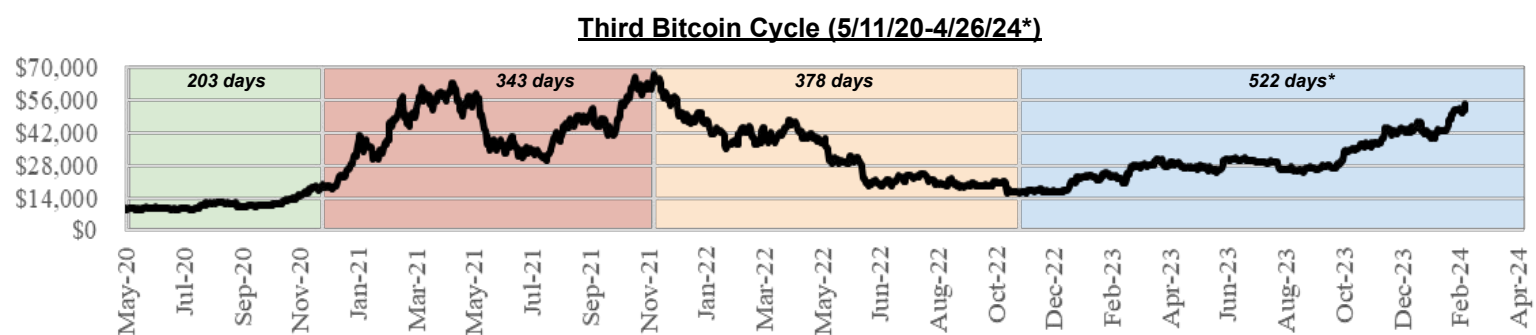
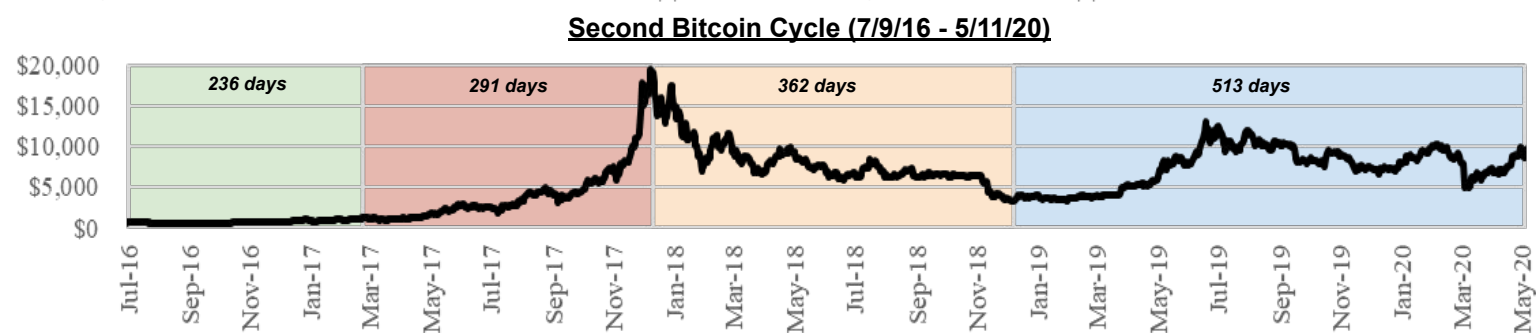
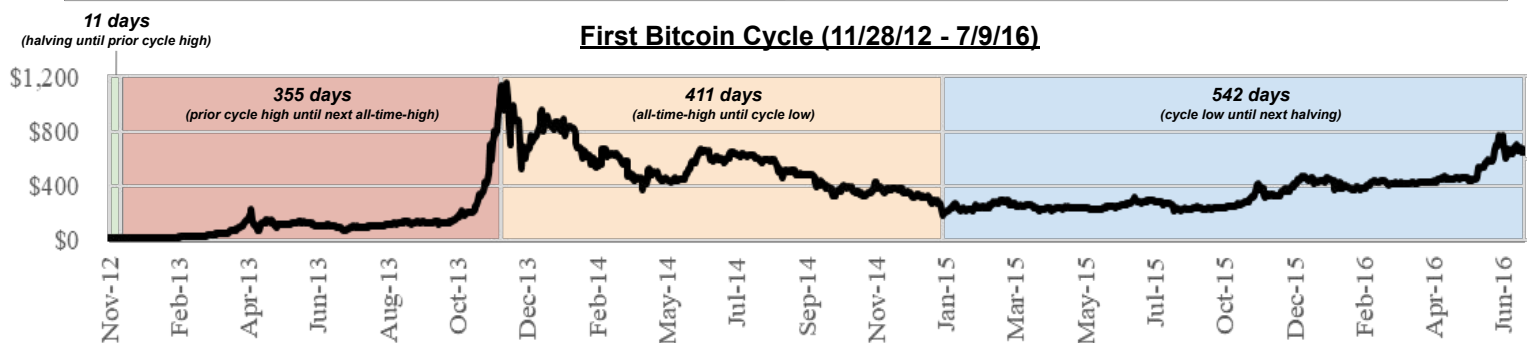
- This period starts after the bottom has already hit for Bitcoin's value
- Bitcoin has always started to increase in price six months prior to the next halving

Summer

- The phase after each halving where the price of Bitcoin has parabolic growth
- The period where Bitcoin breaks prior all-time high price

Fall

- The majority of market losses consistently occur in the year following the all-time highs.
- The only period where Bitcoin lost market value in all cycles since the first halving



Source: Historical data from CoinMarketCap.com

*Based on estimated date for next Bitcoin halving of 4/26/24

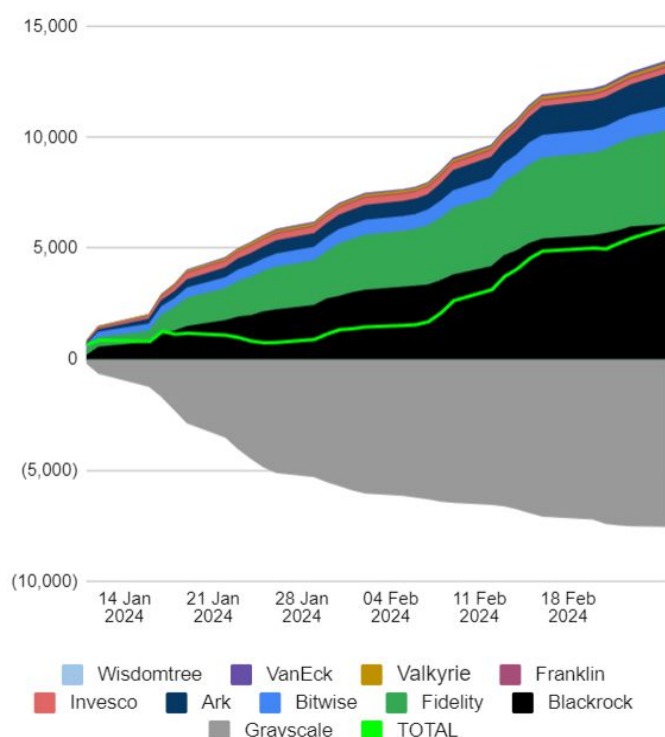
Industry - Bitcoin ETF

One positive catalyst that was not present in previous Bitcoin cycles was the introduction of Bitcoin ETF products that started in the beginning of the year. As indicated in the chart below, the only material outflows from these new products were from Grayscale, which was charging a higher management fee compared to other products available in the market. Despite this, market participants can see the cumulative net flows of Bitcoin spot ETFs are increasing at a significant pace above expectations.

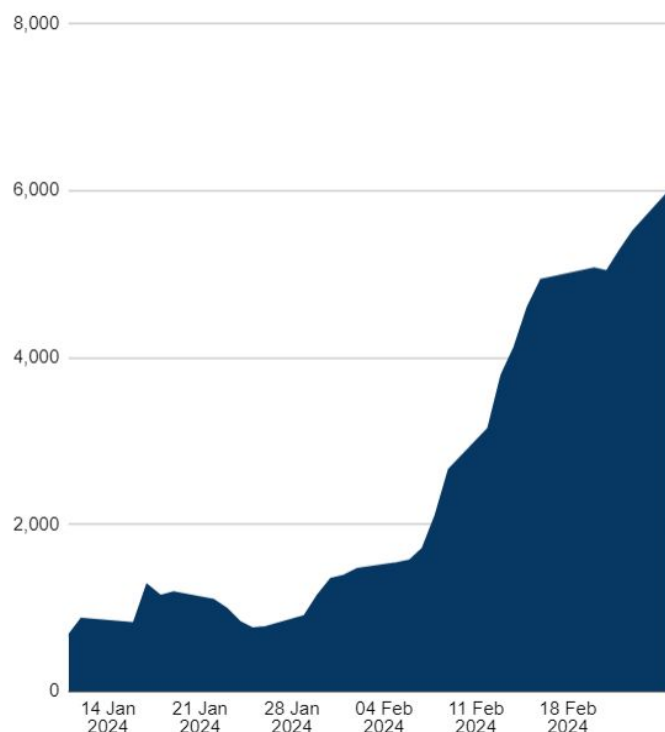
While some institutional investors are using these Bitcoin ETF products as a way to gain exposure to the overall crypto market, many are utilizing them as a hedge against inflation of the U.S. dollar. Although the Federal Reserve has pushed back the expected time on when they will cut interest rates, many market participants are beginning to expect lower rates sooner than later. [This is because more than 30% of all US federal debt is set to roll over in 2024, which is over \\$7.5 trillion.](#) Unless rate cuts are implemented, the market can expect a few bubbles to start to pop and a recession to follow as the majority of the U.S. tax revenue will have to be utilized for refinancing and interest payments.

Investors can expect the inflows into these Bitcoin ETF products to continue or even accelerate as the first institutions that invested in these assets have already seen higher gains compared to more traditional products. Additionally, we can expect more institutions to pay attention to higher-beta plays like Bitcoin miners since the ETFs have now established proof-of-concept for Bitcoin and made the asset accepted by more sophisticated investors besides just retail.

Bitcoin Spot ETF Cumulative Flow (US\$m)



Bitcoin Spot ETF Total Cumulative Flow (US\$m)



Source: [BitMEX Research](#)

Industry - Bitcoin ASICs (Application Specific Integrated Circuits)

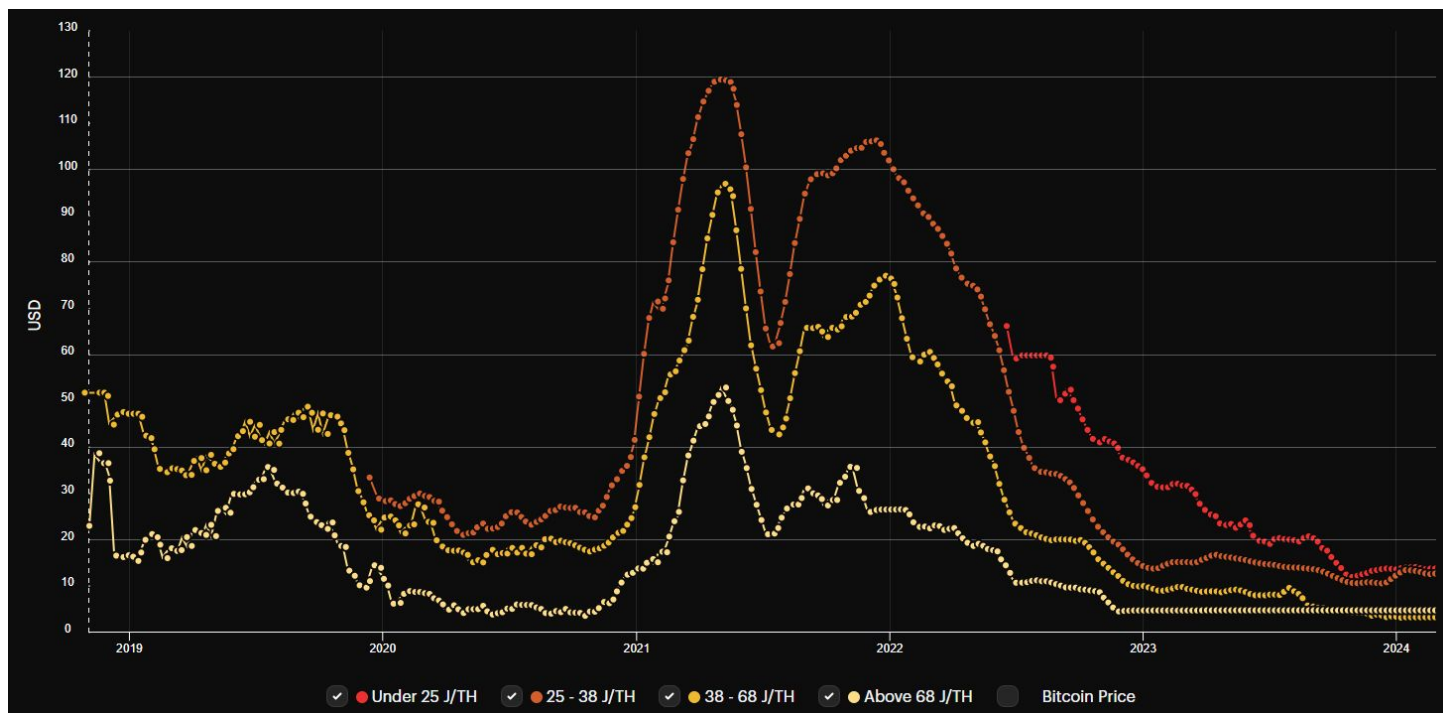
Bitcoin mining is similar to other mining industries like gold and oil since the equipment used to extract the commodity and how they are financed is a major consideration for the management team of these companies.

The line graph below shows the prices of different ASICs over time and are categorized based on their efficiency. As expected, the more efficient models are priced higher since these prices have a direct effect on the miner's bottom line. The prices of ASICs usually lag behind Bitcoin in previous cycles since want to begin mining after the price of Bitcoin has already increased. The prices of ASICs have decreased since the overall crypto market crashed in 2022, and the most efficient ASICs (under 25 J/TH) have not seen any material increases in price since they were created. We can expect the prices of all ASICs to begin to increase once Bitcoin breaks last cycle's all-time-high of ~\$67,500 and enters price discovery.

Bitcoin miners are forced to strategically acquire ASIC miners and replace old fleets since the machines are the biggest driver of profit. Experienced miners that have been in previous cycles are aware that the best time to buy ASICs are usually during the fall and winter periods within our ["Four Seasons of Bitcoin"](#) framework since this is when ASICs are lowest as Bitcoin gets oversold.

As time continues, the marginal increase in efficiency that new ASICs provide will reach a ceiling, and the efforts and capital spent on the ASIC market will be redirected towards finding more efficient sources of power and energy. Bitcoin miners must optimize both of these factors in order to compete in the market as we approach the upcoming reward halving.

Bitcoin ASIC Price Index



Source: [Hashrate Index](#)

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Company Background

Gryphon Digital Mining has grown significantly in the past three years by adding sustainable hashing power to its operations through strategic partnerships and ASIC fleet upgrades. The company has recently been listed on the NASDAQ exchange through a reverse merger with the public company Akerna.

Gryphon Digital attempted to execute a reverse merger in 2021 with Sphere 3D, a public net carbon-neutral cryptocurrency miner, but they both mutually agreed to not proceed with the merger. Gryphon Digital decided to enter a master services agreement to manage all of Sphere 3D's blockchain operations for a five year period at a 22.5% gross profit royalty. Although the agreement is through August 2026, Sphere 3D has moved to [terminate](#) this arrangement. Gryphon believes that the agreement will continue on despite the litigation and forecasts over \$6 million in 2024E revenue from the partnership.

Since Gryphon Digital's stock has began trading publicly on February 9th, 2024, the stock has underperformed due to the overselling from short-term investors that were largely in the stock to capitalize on the anticipated reverse merger closing. The stock began to stabilize and the market cap is beginning to increase back to ~\$100 million as the price of Bitcoin continues to climb in the current bull market. The public listing will enable Gryphon Digital to utilize the public markets to fund its M&A growth strategy and compete with bigger miners in the market.

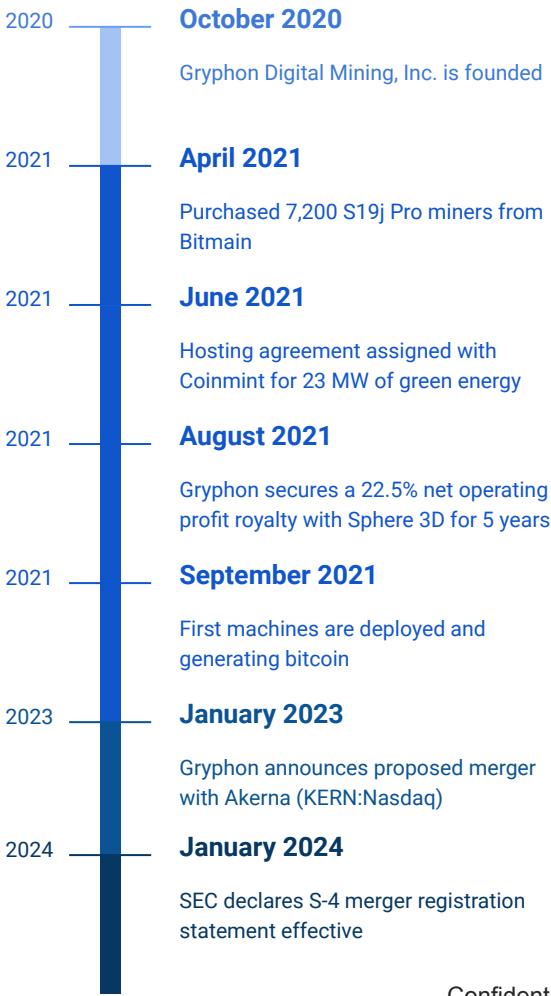
Gryphon Digital Mining Stock Performance



Source: CapitalIQ

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Company Timeline



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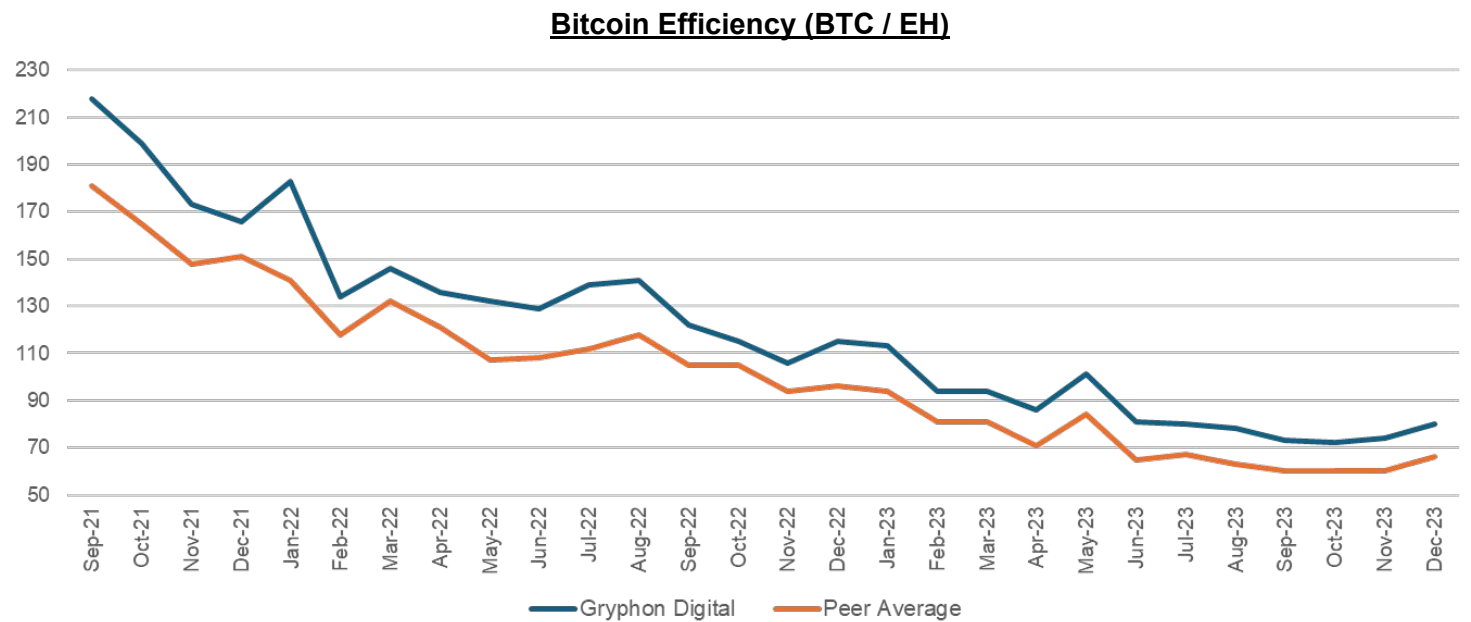
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Business Model

Gryphon Digital Mining operates its business through an asset-light model, contrasting with the asset-heavy approach favored by other industry counterparts. The main difference between the two is that an asset-light model involves partnering with existing energy providers and data centers instead of acquiring it themselves. This scenario requires less upfront capital investment and allows Gryphon Digital to spend more capital on actual revenue generating ASICs rather than the cost center facilities they run in. While the asset-light strategy frees up more capital to deploy in computing power, the asset-heavy model has benefits as well; some benefits include having more control in the supply chain of the business and quicker setup times, since miners can be placed in a trusted facility immediately. The asset-light model is more suited for Gryphon and other smaller miners since it allows them to gain more computing power at a faster rate since all capital is used to get the latest ASICs.

By partnering with [Coinmint](#), one of the largest digital currency data centers in the world, Gryphon Digital is able to secure 28 Megawatts (MW) of hydro-powered energy for its ~9,000 miners. The facility is in upstate New York and located in an [economic opportunity zone](#), an area that welcomes and encourages business development to support the local community.

Gryphon Digital utilizes a direct cost pass-through profit sharing model with Coinmint to arrive at a ~\$15,746/BTC cost based on 9/30/23 YTD calculations. The miner fleet is comprised of a mix of the original order of S19j Pro miners and its more efficient counterparts including: the S19j Pro+, S19 Pro, S19K Pro machines. Due to the asset-light model explained above and the unique partnerships that Gryphon Digital has created, the company is one of the most efficient public Bitcoin miners in the market. Efficiency in this sense is the measurement of Bitcoin generated per exahash of hashing power deployed, and the best way to increase this metric is to use newer and more efficient ASICs. The chart below illustrates how Gryphon Digital has consistently beat the peer average by a material amount in this measurement over the past 3 years. While Bitcoin efficiency will remain one of the top goals for Gryphon Digital in its operations as they grow, [alpha sigma capital/alpha transform holdings] can expect this metric to begin to decline compared to its competitors as Gryphon Digital scales and earns more hashing power through its M&A strategy; the acquired targets will most likely be less efficient compared to Gryphon Digital's current operations.



Source: Gryphon Digital Mining company materials and reports.

Green Energy Initiative

Gryphon Digital Mining differentiates itself from other public miners by establishing a negative carbon strategy as a top priority through the acquisition of carbon offset credits and by utilizing power from environmentally friendly sources like hydro-powered facilities. Since the computing power required to earn a Bitcoin increases over time, the required energy to operate the ASICs will keep growing and is one of the major criticisms of the Bitcoin network. Notably, the amount of energy that it takes to power the Bitcoin network even surpassed the amount of energy consumed by the whole country of [Norway](#).

The company understands that the only way to combat this criticism of Bitcoin is to lead the industry in its efforts to decarbonize the network. Gryphon Digital executed this by being part of the inaugural cohort of recipients for the [Greens Proofs For Bitcoin](#) certification. This organization helps bring transparency to the public Bitcoin mining companies that are making efforts in reducing the carbon footprint of the Bitcoin network.

As the Bitcoin ecosystem develops further, the differentiation of being a "green" miner will be paramount to increasing market value and improving investor sentiment. Similar to what the market has seen with the existing ESG movement, market-leaders in the space will be valued higher because ESG-mandated funds and organizations can invest in these stocks without much pushback from investing committees and LPs.



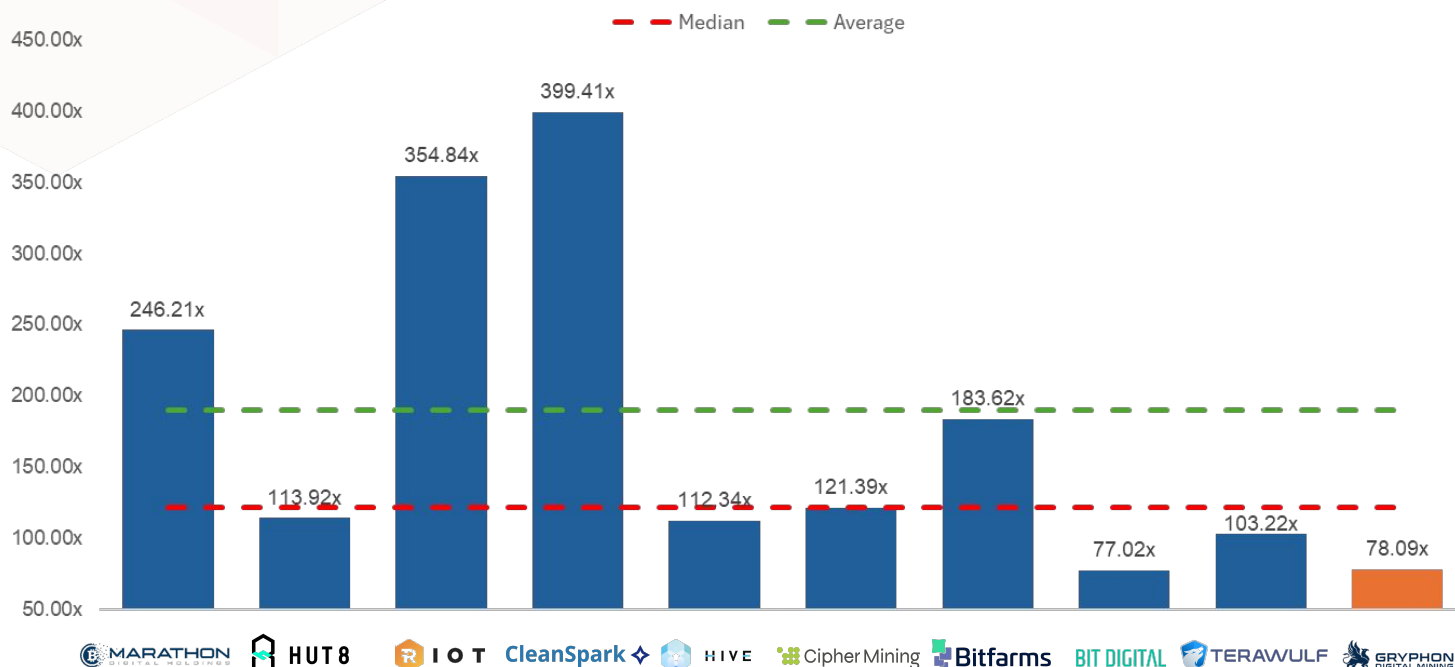
M&A Growth Strategy

As the Bitcoin supply halving gets closer, M&A activity is beginning to increase in the Bitcoin miner space. Since the rewards are halved, the cost for mining one Bitcoin instantly doubles for all miners and forces many miners to go under, as their available computing power is not efficient enough to mine Bitcoin profitably.

Publicly listed miners are better positioned for the halving because they are able to utilize their stock as capital to acquire other miners. As Gryphon Digital has experienced, the process of going public can take multiple years and private miners will not be able to execute this within the current bull market. These private miners will be the ideal targets for Gryphon Digital to acquire since there aren't many other exit opportunities for these miners to implement without going under. Gryphon Digital believes gaining hashing power through acquisitions will be the quickest and more profitable way to compete in the market since the prices of ASICs will likely get too frothy as the price of Bitcoin continues to increase in the bull market.

Comparative Value

Public Bitcoin Miners Market Cap / Hash Rate



Source: Company reports and Capital IQ. Data as of 2/26/2024.

To compare public Bitcoin miners in the space Alpha Sigma Capital Research took into consideration the current market value and the amount of hashing power each miner utilizes. We believe the hash rate is the best underlying value driver to use since it has a direct effect on the amount of Bitcoin that can be mined by these companies and thus revenue and earnings.

If we apply Gryphon Digital's 1.3 EH/S of hashing power to this exercise, we can see that the company is undervalued compared to the median and average multiples shown in the peer set. However it's worth noting that if we utilize Gryphon Digital's self-mining hashing power of 0.91 EH/S, then the multiple is 107.26x, which is more in line with the peer set. The market seems to be mispricing Gryphon Digital based on the self-mining hashing power metric, which is not representative of the actual potential earning power that Gryphon Digital's operation offers.

The implied valuation of Gryphon Digital using the median multiple in the peer set is \$151.74 million, which is 55% more than the current market cap of \$97.61 million. The implied valuation of Gryphon Digital using the average multiple in the peer set is \$237.77 million, which is 143% more than the current market cap. Gryphon Digital's stock will likely reprice to match the rest of the market once after trading on the NASDAQ for longer. Additionally, as we continue into the bull market and the overall hashing power on the Bitcoin network continues to increase, the need for more environmentally friendly miners will be sought out and will benefit Gryphon Digital since that is one of its main differentiators compared to other miners.

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DCF Valuation - Base Case

To consider the intrinsic value of Gryphon Digital, Alpha Sigma Capital Research conducted a DCF analysis that takes into account the amount of Bitcoin mined by the company, the price of Bitcoin, and the earnings from these operations.

When projecting the overall hashrate of the Bitcoin network, we applied a polynomial trendline to historical data to derive our current projections. The main drivers that change between the three different scenarios are the amount of market share that Gryphon can gain from the overall hashing in the Bitcoin network and the price of Bitcoin.

In the base case, the implied valuation is \$130.72 million, which is a 34% premium compared to the current price. This implies a market capitalization / hashing power multiple of 100.55x, which is more in line with what we see in the peer set.

		1.00	2.00	3.00	4.00	5.00		
	2023	2024	2025	2026	2027	2028	Growth Method	
Hashrate (EH)	527	700	2,000	3,750	7,000	10,000	Growth Rate	3.5%
% Growth	--	33%	186%	88%	87%	43%		\$ 104,913,193
Gryphon Digital Mining Hashrate	1.3	2.24	8.02	17.29	34.85	52.28	Total Present Value	\$ 130,719,334
Market Share of Hashrate	0.25%	0.32%	0.40%	0.46%	0.50%	0.52%	Shares Outstanding	38,733,554
Market Share Growth		30%	25%	15%	8%	5%	Price Per Share	\$ 3.37
Amount of Bitcoin Mined	328,500	219,000	164,250	164,250	164,250	109,500	Implied EV/ 2024E EBITDA	7.45x
Gryphon Digital Mining Bitcoin Mined		702.30	658.40	757.16	817.74	572.42	Current Price Per Share	\$ 2.52
Price of Bitcoin	\$ 45,000	\$ 125,000	\$ 187,500	\$ 262,500	\$ 367,500	\$ 514,500	Premium / Discount	34%
Price Increase %		178%	50%	40%	40%	40%		
Revenue		87,787,002	123,450,471	198,755,259	300,517,952	294,507,593		
Cost of Revenues		52,672,201	72,835,778	115,278,050	171,295,232	161,979,176		
Gross Margin		40%	41%	42%	43%	45%		
General and Administrative Expenses		17,557,400	24,690,094	39,751,052	60,103,590	58,901,519		
% of Revenue		20%	20%	20%	20%	20%		
Depreciation		13,168,050	18,517,571	29,813,289	45,077,693	44,176,139		
% of Revenue		15%	15%	15%	15%	15%		
EBIT		4,389,350	7,407,028	13,912,868	24,041,436	29,450,759		
Tax Rate		26%	26%	26%	26%	26%		
EBIT (1-t)		3,248,119	5,481,201	10,295,522	17,790,663	21,793,562		
Depreciation		13,168,050	18,517,571	29,813,289	45,077,693	44,176,139		
NWC		(4,389,350)	(6,172,524)	(9,937,763)	(15,025,898)	(14,725,380)		
% of Revenue		5%	5%	5%	5%	5%		
Capital Expenditures		(8,778,700)	(12,345,047)	(19,875,526)	(30,051,795)	(29,450,759)		
% of Revenue		10%	10%	10%	10%	10%		
Unlevered Free Cash Flow		3,248,119	5,481,201	10,295,522	17,790,663	21,793,562		
Discount Rate		25%	25%	25%	25%	25%		
PV of Cash Flows		2,598,495	3,507,969	5,271,307	7,287,055	7,141,314		

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DCF Valuation - Bull Case

In the bull case, the implied valuation is \$348.39 million, which is a 257% premium compared to the current price. This implies a market capitalization / hashing power multiple of 268.0x, which is more in line with the companies on the higher end of the peer set.

The main difference in the bull case is the price of Bitcoin and the amount of market share of hashrate that Gryphon Digital can earn. The assumptions for the price of Bitcoin are reasonable, as many analysts and funds have called for Bitcoin to surpass a \$1 million price point by 2028. This scenario also illustrates what the value should be for Gryphon Digital if the company is able to execute on expanding their hashing power through inorganic growth and acquisitions.

		1.00	2.00	3.00	4.00	5.00		
	2023	2024	2025	2026	2027	2028	Growth Method	
Hashrate (EH)	527	700	2,000	3,750	7,000	10,000	Growth Rate	3.5%
% Growth	--	33%	186%	88%	87%	43%		\$ 286,719,285
Gryphon Digital Mining Hashrate	1.3	2.59	10.36	25.25	51.85	77.78	Total Present Value	\$ 348,394,806
Market Share of Hashrate	0.25%	0.37%	0.52%	0.67%	0.74%	0.78%	Shares Outstanding	38,733,554
Market Share Growth		50%	40%	30%	10%	5%		
Amount of Bitcoin Mined	328,500	219,000	164,250	164,250	164,250	109,500	Price Per Share	\$ 8.99
Gryphon Digital Mining Bitcoin Mined		810.34	850.86	1,106.12	1,216.73	851.71	Implied EV/ 2024E EBITDA	17.20x
Price of Bitcoin	\$ 45,000	\$ 125,000	\$ 250,000	\$ 450,000	\$ 675,000	\$ 945,000	Current Price Per Share	\$ 2.52
Price Increase %		178%	100%	80%	50%	40%	Premium / Discount	257%
Revenue		101,292,694	212,714,658	497,752,301	821,291,296	804,865,470		
Cost of Revenues		60,775,617	125,501,648	288,696,334	468,136,039	442,676,009		
Gross Margin		40%	41%	42%	43%	45%		
General and Administrative Expenses		20,258,539	42,542,932	99,550,460	164,258,259	160,973,094		
% of Revenue		20%	20%	20%	20%	20%		
Depreciation		15,193,904	31,907,199	74,662,845	123,193,694	120,729,821		
% of Revenue		15%	15%	15%	15%	15%		
EBIT		5,064,635	12,762,880	34,842,661	65,703,304	80,486,547		
Tax Rate		26%	26%	26%	26%	26%		
EBIT (1-t)		3,747,830	9,444,531	25,783,569	48,620,445	59,560,045		
Depreciation		15,193,904	31,907,199	74,662,845	123,193,694	120,729,821		
NWC		(5,064,635)	(10,635,733)	(24,887,615)	(41,064,565)	(40,243,274)		
% of Revenue		5%	5%	5%	5%	5%		
Capital Expenditures		(10,129,269)	(21,271,466)	(49,775,230)	(82,129,130)	(80,486,547)		
% of Revenue		10%	10%	10%	10%	10%		
Unlevered Free Cash Flow		3,747,830	9,444,531	25,783,569	48,620,445	59,560,045		
Discount Rate		25%	25%	25%	25%	25%		
PV of Cash Flows		2,998,264	6,044,500	13,201,187	19,914,934	19,516,635		

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In the bear case, the implied valuation is \$95.1 million, which is a 3% discount compared to the current price. This implies a market capitalization / hashing power multiple of 73.15x, which is more in line with how Gryphon Digital is currently trading.

The main difference in the bear case is how Bitcoin performs over the projection period and how much market share Gryphon Digital can earn. We believe that these prices of Bitcoin are unlikely, but if there is a scenario like the creator of Bitcoin being revealed, or stablecoins being utilized more as a store of value, then these price projections are possible. This scenario also illustrates what the value should be for Gryphon Digital if they are unable to execute on expanding their M&A strategy, or have significant down time in their current facility in upstate New York.

		1.00	2.00	3.00	4.00	5.00		
		2023	2024	2025	2026	2027	2028	Growth Method
Hashrate (EH)		527	700	2,000	3,750	7,000	10,000	Growth Rate
% Growth	--	33%	186%	88%	87%	43%		3.5%
								\$ 74,037,911
Gryphon Digital Mining Hashrate	1.3	2.33	8.33	17.95	36.86	55.29		Total Present Value
Market Share of Hashrate	0.25%	0.33%	0.42%	0.48%	0.53%	0.55%		\$ 95,098,122
Market Share Growth		35%	25%	15%	10%	5%		Shares Outstanding
								38,733,554
Amount of Bitcoin Mined	328,500	219,000	164,250	164,250	164,250	109,500		Price Per Share
Gryphon Digital Mining Bitcoin Mined		729.31	683.73	786.28	864.91	605.44		\$ 2.46
								Implied EV/ 2024E EBITDA
								5.22x
Price of Bitcoin	\$ 45,000	\$ 125,000	\$ 162,500	\$ 211,250	\$ 274,625	\$ 343,281		Current Price Per Share
Price Increase %		178%	30%	30%	30%	25%		\$ 2.52
								Premeium / Discount
								-3%
Revenue		91,163,425	111,105,424	166,102,609	237,526,731	207,835,890		
Cost of Revenues		54,698,055	65,552,200	96,339,513	135,390,237	114,309,739		
Gross Margin		40%	41%	42%	43%	45%		
General and Administrative Expenses		18,232,685	22,221,085	33,220,522	47,505,346	41,567,178		
% of Revenue		20%	20%	20%	20%	20%		
Depreciation		13,674,514	16,665,814	24,915,391	35,629,010	31,175,383		
% of Revenue		15%	15%	15%	15%	15%		
EBIT		4,558,171	6,666,325	11,627,183	19,002,139	20,783,589		
Tax Rate		26%	26%	26%	26%	26%		
EBIT (1-t)		3,373,047	4,933,081	8,604,115	14,061,582	15,379,856		
Depreciation		13,674,514	16,665,814	24,915,391	35,629,010	31,175,383		
NWC		(4,558,171)	(5,555,271)	(8,305,130)	(11,876,337)	(10,391,794)		
% of Revenue		5%	5%	5%	5%	5%		
Capital Expenditures		(9,116,343)	(11,110,542)	(16,610,261)	(23,752,673)	(20,783,589)		
% of Revenue		10%	10%	10%	10%	10%		
Unlevered Free Cash Flow		3,373,047	4,933,081	8,604,115	14,061,582	15,379,856		
Discount Rate		25%	25%	25%	25%	25%		
PV of Cash Flows		2,698,437	3,157,172	4,405,307	5,759,624	5,039,671		

Gryphon Digital Mining (GRYP)

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Team

Gryphon Digital's management team is a key factor in the performance of the company since the capital allocations and market timing of the company is crucial to succeed. The company has proven to navigate both bull and bear markets within this ecosystem and are poised to continue the positive performance now that the company has access to the public markets for M&A strategy.

Mr. Rob Chang (CEO, President & Director) - Rob previously worked as CFO for Riot Blockchain and as a managing director in the commodities group at Cantor Fitzgerald. Through his background in commodity research and Bitcoin mining, Rob has been able to spend only \$42/TH to build Gryphon Digital's entire operation, while the peer average is ~\$150/TH.

Ms. Brittany Kaiser (Chairperson) - Brittany is heavily involved in the blockchain space, having co-written over 22 laws in the U.S. to protect blockchain businesses. She also is a member of the congressional standing committee on blockchain and helps advocate for Bitcoin miners in the U.S. government.

Mr. Sim Salzman (CFO) - Sim was the former CFO of both Marathon Digital and a Las Vegas monorail company. He has overseen market cap growth in his previous roles from \$500 million to \$8 billion.

Mr. Chris Ensey (CTA) - Chris served as the former CEO and COO of Riot blockchain and has developed over 100 megawatts in Bitcoin mining operations.

Risks

While Gryphon Digital is positioned to perform well in the coming years, there are risks that must be considered that could affect the operations and future earning potential of the company. One risk is that Gryphon Digital's mining operations currently only take place in one facility with Coinmint. If anything happens to that facility or the relationship turns sour, there may be significant downtime that could decrease the amount of Bitcoins mined. Gryphon Digital plans to mitigate this by executing its M&A strategy and diversifying the geographic locations of its miners.

One other risk to consider is if the master services agreement with Sphere 3D gets terminated and decreases the amount of hashing power that Gryphon Digital has in its portfolio. While the deal with Sphere 3D does not make up a significant portion of the revenue earned by Gryphon Digital, the termination of the deal presents a reputational risk, which might affect negotiating power in Gryphon Digital's M&A strategy.

The asset-light business model that Gryphon Digital currently utilizes should also be considered due to the fact that Gryphon Digital is less vertically integrated than some of its peers. Since Gryphon Digital doesn't own the data centers and facilities that the ASICs run in, there could be cracks in the supply chain that make it hard to either deploy newly acquired ASICs, or to keep the current fleet functioning correctly.

Another risk that could cause Gryphon Digital to underperform is if the market does not value the decarbonization of Bitcoin miners. If other Bitcoin miners are able to acquire more Bitcoin with fossil fuels without any loss in market value, Gryphon Digital will be behind and lose market share.

Additionally, Gryphon Digital's business is heavily affected by the price of Bitcoin and the underlying ecosystem it functions on. If there are any systematic risks shown within the overall crypto market, Gryphon Digital's stock will likely suffer.

Conclusion

Gryphon Digital Mining emerges as a prominent player in the Bitcoin mining landscape, leveraging its recent NASDAQ listing and robust commitment to sustainability and efficiency under the guidance of CEO Rob Chang. With a seasoned management team boasting extensive experience in the public Bitcoin mining sector, Gryphon employs an asset-light business model to navigate the competitive industry landscape adeptly. As Bitcoin's supply halving looms in April 2024, Gryphon's strategic positioning and operational agility provide a distinct advantage over competitors. While the impending halving threatens to weed out inefficient miners, Gryphon's resilience stems from its adaptive approach and readiness to capitalize on opportunities presented by market shifts. The stock has recently been oversold and is now undervalued by ~35% - ~55% based on both comparative valuations and intrinsic value. By harnessing the power of public capital markets for strategic acquisitions and drawing upon its leadership's seasoned expertise, Gryphon Digital Mining stands poised for continued success in the dynamic realm of Bitcoin mining.

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