Core Scientific, Inc.
Investor and Analyst Event
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Presenters
Adam Sullivan, Chief Executive Officer
Denise Sterling, Chief Financial Officer
Matt Brown, Chief Operating Officer & EVP of Data Center Operations
Steve Gitlin, SVP Investor Relations

Q&A Participants
1. **Lucas Pipes - B. Riley Securities**
2. **Bryce McNallie - Power Mining Analysis**
3. **Gregory Lewis - BTIG**
4. **George Sutton - Craig-Hallum**
5. **Kevin Dede - H.C. Wainwright**
6. **Mike Grondahl, Northland Securities**
7. **Amer Tiwana - Imperial Capital**
8. **Joe Flynn - Compass Point**
9. **Darren Aftahi - ROTH**
10. **Brett Knoblauch - Cantor Fitzgerald**
11. **Alex Schmidt - CoinShares**
12. **Satish Patel - CoinShares**
13. **James Butterfill - CoinShares**
14. **Anthony Power - Power Mining Analysis**
15. **Martin Toner - ATB**
16. **Marcus Cusell - Ryan Capital**
17. **Wes Hoaglund - SandsPoint Capital**
18. **Robert Harrington - Cantor Fitzgerald**
19. **Jack Shannon - Imperial Capital**
20. **Mike Hughes - Creek Drive Capital**
21. **Hirsh Condepolet - Diameter**

Steve Gitlin
Okay. So, welcome, everyone. Really good to be with you today. My name is Steve Gitlin. I am Senior Vice President of Investor Relations at Core Scientific. It's good to be with you here personally. We also have a live webcast going on, so we also welcome everybody who is tuning into the webcast and who may be listening to the recording later on. It's great to give us the opportunity to tell our story and update you on what we're doing and where we're heading.

About six months ago, we had a similar event to this. And I know there's at least one person in the audience who was there six months ago. And at that time, we introduced our presentation

by saying we had been pretty quiet, but we had been really busy. And here we are about six months later. We're not as quiet, but we're even busier, and it's busy in a good way.

And we're really delighted to be here together to tell you a little bit about what we've been working on and what we've been so busy at. Our whole team--you've met everybody, you've met a lot of people today. Our whole team is energized, and we're really excited to be energizing all of you, our customers, and the opportunities that are ahead of us.

This is our Safe Harbor statement. We're now on Slide number 2. And of course, those on the webcast are viewing the slides in real time as well. Today's agenda is pretty straightforward. And also for those who are listening who don't have access to the live slide view, a PDF version of this presentation is available on the Core Scientific website under Presentations, so you can follow along with us.

So today, you'll hear from our CEO, Adam Sullivan, our CFO, Denise Sterling. After Denise, the plan is we're going to take a short break. We'll have a buffet lunch outside. Everybody can go outside, grab a plate, bring it back in here. We'll pick back up again with Matt Brown, who will lead the last portion of our presentation.

We will have a time for Q&A at the end of the session. We ask that you please hold your questions until then. And we're also making available a question-and-answer to those listening on the live webcast. So, there should be a dialogue box on the webcast pane where you can submit written questions, and we will be looking at those and selecting those that we can also add to the mix here in the live event.

Today's speakers, as I mentioned before--to my right, Adam Sullivan, Chief Executive Officer, Denise Sterling, our Chief Financial Officer, and then Matt Brown, our Chief Operating Officer and Head of Data Center Operations. In terms of objectives, we want to make sure that everybody here today, in person and virtually, understands the structure and mechanics of our recently announced 200 megawatt deal with CoreWeave. We know there have been a lot of questions about that. We want to go over that very carefully and deliberately.

We also want to make sure that you have an understanding of the broader HPC opportunity, HPC being high-performance computing. We're very excited about it. There's obviously a lot of press on that. We hope to provide a little bit more background and context around what's happening there.

Matt will focus on our build-out approach and our plan for doing so and why we believe that we're uniquely suited to execute our plan successfully. And then, throughout today's discussion, the underlying goal is to describe how all of this combines and works together to create shareholder value.

With that as the introduction, it's my pleasure to introduce Adam Sullivan, our CEO, who will take it over from here.

Adam Sullivan

Thank you, Steve. It's great to be with all of you, both in person and on the webcast and recording. We got to go up a slide. All right. All right. I can ensure--one of the things that I can ensure to everyone is that our entire company and our Board have been working extraordinarily hard to create shareholder value, and we're going to continue to execute our plans to continue to grow this company.

At Core Scientific, we deploy high-power infrastructure to energize compute in two businesses. The first is bitcoin mining. And we remain a leader in owned infrastructure, deployed miners, cash rate, and energy efficiency. The second business is hosting, first for our clients on the bitcoin mining side and, second, for our clients on the GPU side. And this is the part of the business that we're actually going to be discussing in a lot more detail today.

To understand our investment thesis, it's really important to understand where we came from and how we started because it really leads to where we're headed. So from our early days, one of the things that we really understood was the value of rapidly scaling infrastructure to support high-value compute. We took an infrastructure-first approach to bitcoin mining, seeking sites that met a very defined criteria. We looked through the lens of a data center design to engineer our sites for flexibility, connectivity, and longevity.

We believed that bitcoin mining was the start of a larger business but not necessarily the end. We rapidly grew our infrastructure by diversifying our footprint across multiple regions, in jurisdiction, securing economic incentives and also large power allocations to support our operations across the United States.

And while we couldn't expand during our restructuring, which was certainly a trying time for our team, we improved our operations, and right out of the gate, right out of our restructuring, we leased the Austin Data Center facility as soon as we emerged to show that we can execute on our HPC strategy.

That really leads to an unmatched platform of operational infrastructure in the industry that started from bitcoin mining, and really bitcoin mining hosting as well. That's what you see here on this page. And the interesting part is our portfolio actually consists of both greenfield sites-- so, there's a number of sites up here that are greenfield--but also brownfield data centers that utilize unused manufacturing that we converted into bitcoin mining.

And that's something very unique to our business, is that back when we first started, we were actually going into locations that had industrial zones that had built out large amounts of electrical infrastructure that had sat idle. And those communities needed people to come in, use the power, and actually employ the people in those communities. And so, we actually

represent a very meaningful percentage in many of our communities of the people that we employ.

At some of these sites, we have partially developed infrastructure. Today at Denton, we talked about how we're actually going to be completing 72 more megawatts before the end of Q2 at that facility. And so, that's something that we're really excited about. In total, we have a significant number of megawatts that we're going to walk through in a moment of partially developed infrastructure.

The highlight here is our extensive infrastructure has really enabled us to earn more bitcoin over the past three years than any other publicly traded mining company. We've mined more than 36,000 bitcoin since 2021, and, really, when you look at this slide, no other miner comes close. We've learned a lot over the course of the past six to seven years about facility design, about software development, about maintenance, and much more.

One of the things that we discussed is our Denton facility actually is operating our fourth-generation data center design. We've had to go through trials and tribulations across multiple jurisdictions in terms of our design. We've been able to optimize that over time to develop what is really the best-in-class infrastructure for this industry.

We've also installed more than 700,000 machines across our facilities. That's something that most other people can't say. We've done it for more than 16 manufacturers. I know most people only think about one or two manufacturers. But, we've actually installed more than 16 manufacturers over our lifetime in our facilities, so we've learned a lot about that process. And that really gives us unique insight into the practical demands of bitcoin mining and data center operations, and it really informs our software and our hardware development.

And so, we're much further advanced in terms of what we're able to put in our facilities from a hardware perspective, not only on the machine side but also on sensors, on incorporating different types of weather data, whether it's from our own systems and sensors in our facilities but also third-party systems as well to actually create an optimized software stack for given conditions.

This is a great slide that we like to go back to. Fundamentally, at our base, we really transform energy into high-value compute, and we do so with superior efficiency and scale. Our assets developed for bitcoin mining really serve as the basis for our value proposition because we can deploy those assets into multiple different forms of compute, as was highlighted by our most recent announcement.

And that's really because, as this market for compute continues to grow, it becomes more specialized. And that's really what you're seeing today where the cloud was step one in terms of a large growth in compute, but what you're seeing, as GPUs become more advanced, is

application-specific digital infrastructure is necessary to run these in the most efficient manner. And that's what we do best.

So as you can see, we currently have 1.2 gigawatts of contracted power. That's power that utilities have allocated to us for our use only. Of that 1.2 gigawatts, we have 745 megawatts of operational infrastructure. That's powered infrastructure at our sites that today are used for bitcoin mining. About 455 megawatts are partially completed, meaning that we've done the preliminary work that includes substations, transformers, pads, et cetera.

Now of that 745 megawatts of operational infrastructure, about 600 megawatts support self-mining today, and about 145 megawatts support our bitcoin mining hosting clients. Of the 455 partially developed infrastructure--or partially developed megawatts, about 355 megawatts are at our two Texas sites, so both Denton and our Pecos location, and about 100 megawatts at our site in Muskogee, Oklahoma that we announced a couple of years ago, but we have not yet completed.

Expanding our hosting offering to HPC is going to result in a reallocation of our infrastructure portfolio. So, what you're seeing here is we aim to provide 700 megawatts for HPC, of which 500 megawatts will be for the hosted GPUs, so that's about 200 megawatts that are needed in order to support those facilities. And so, the 500 megawatts represents the direct power to the GPUs.

Unlike our bitcoin mining facilities, which do not require much additional power to support the machines, our PUE across our bitcoin mining facilities is below 1.05. HPC hosting requires multiple ancillary items, such as air conditioning, cooling for the liquid that's actually being used to cool those machines. This leaves about 500 megawatts of our existing portfolio for bitcoin mining. The upcoming expiration of our bitcoin mining hosting clients will likely not see renewals, providing us with the opportunity to focus the bitcoin side of our business on self-mining.

And as we recently announced, 200 megawatts of HPC hosting infrastructure is going to be dedicated to CoreWeave, and that requires about an extra 80 megawatts of infrastructure to support those contracts. That leaves us with about 300 megawatts of GPU--or of megawatts to GPUs to host other clients potentially, or CoreWeave, along with another 120 megawatts needed to support those facilities. Throughout this reallocation, our 16 megawatt data center in Austin will remain operational.

All right. So, the HPC opportunity we're capturing is driven by dramatic growth in the data center industry, which, in turn, is really being driven by this explosion in AI compute. I would imagine not just this chart, but there's probably a few hundred different charts you could pull up that would illustrate the dramatic growth in global data center demand from 2023 to 2030. But, it's going to more than double over the course of this next six- to seven-year period, and that's really in the base case.

Because it takes years for new data center capacity to come online and become available, this dynamic is creating a very unique opportunity for those with high-power data center capacity and the teams that know how to do it. And that's really something that I like to highlight, is we not only have the infrastructure assets, we have them spread across the United States. We also have a best-in-class data center team that can execute and deliver for a very constrained industry today, where those teams are struggling to get the manpower in order to actually continue building out alongside of the demand that they're seeing.

Technology companies are very eager to get their GPUs to work. On average, GPUs per megawatt are about 25 million to 30 million per megawatt. And so, the longer it takes them to plug those in, the further behind they get in the (inaudible). And so, we're really addressing this via a shorter time to power. That's the biggest challenge in this industry right now. And through the modification of our data centers for HPC hosting, we can capitalize on that opportunity.

While we are reallocating our infrastructure to seize on the HPC opportunity, we also remain committed to our bitcoin mining business. The 760 megawatts you see here on the left includes our Austin Data Center. On the right, you can see how we're diversifying our infrastructure portfolio across bitcoin mining and HPC hosting. Our agreements with CoreWeave do represent the first significant move for our portfolio to achieve this reallocation, but it's really just the beginning for us.

So, let's dive into some of the highlights of that transaction. Our agreements with CoreWeave move us firmly into the HPC hosting market. This is one of the largest AI hosting deals ever announced and, in fact, one of the largest data center deals announced. Importantly, as I highlighted a moment ago, after allocating the 200 megawatts for CoreWeave, we still have another 300 megawatts to offer for HPC hosting.

These agreements put us squarely into a new hosting market segment with strong long-term and stable cash flows. Denise is going to provide actually a much more detailed review of this with a revenue and profit model for this type of deal, so that everyone can more clearly understand the structure of the contract. But, this 200 megawatt deal by itself helps stabilize our business model, reduce our risk, and generate significant shareholder value.

So, we talked about the 200 megawatt HPC infrastructure deal and the fact that it requires a total of 280 megawatts. These agreements represent about $3.5 billion in total revenue over the life of these contracts with an average of $290 million per year. We're anticipating a profit margin between 75 percent to 80 percent for these agreements, and that's over a 12-year term, while CoreWeave has two 5-year renewal options on top of those 12 years.

Unique to our agreements is that CoreWeave is paying for all the CapEx, which ranges from $5 million to $8 million per megawatt, and we're crediting them in total $300 million for our

portion of the CapEx against their hosting payments until it's fully repaid, or about $1.5 million per megawatt. Additionally, just to ensure it's clear, CoreWeave will pay for the power and utilities as part of their contract.

We expect to begin modification of the designated sites in the second half of this year, and we expect to achieve operational status in the first half of 2025. Considering the remaining 300 megawatts of infrastructure for HPC, the full 500 megawatts could generate more than $8 billion in revenue over a 12-year term.

We've been working very hard to lever the valuable asset portfolio we've built and generate the highest return for our shareholders. By expanding our hosting business into HPC, we expect to achieve a number of critical areas, which--the first one is bring more balance into our financial performance, increase our earnings power, build on strong competencies in data center design, building, and management as well as our technology development, and introduce a new model for data centers.

This was a ground-shaking deal for the data center industry, and we look to continue to capitalize on that and really expand our platform from our bitcoin mining base to accelerate our growth and the value that we create. At Core Scientific, we're very excited about our future, and our team is fully aligned and engaged on the journey ahead.

Now, I'd like to introduce our CFO, Denise Sterling, to discuss our financial performance.

Denise Sterling

Thanks, Adam. It's nice to be here with you today, and I am going to go ahead and get started, so let's just dive right in. I'm going to begin by providing you with the highlights of our business today as well as sharing with you where we're actually headed.

Today, we are well-positioned for continued growth. We are the top producer of bitcoin among publicly traded miners since 2021. We operate the largest owned infrastructure at 760 megawatts. And as Adam suggested, we have power up to 1.2 gigs. We are also effectively navigating the halving, with putting in place strategies in order to improve mining economics during this low hash price environment.

And we continue to fund our growth through operating cash flow. We've also begun to delever our balance sheet by paying off $19 million associated with the completion of 72 megawatts at our Denton center that you just visited, and we're also delivering strong gross margins as well as management of expenses compared to our peers, which I'll talk to you about right after this.

And finally, we're expanding our hosting business and really diversifying our customer base into the high-value compute, which is obviously one of the topics we'll dive into in more detail. So, let's go ahead and get to the next slide. During 2023 and Q1 of 2024, as I mentioned, we

produced the highest gross margins as well as the lowest operating expenses as a percentage of revenue amongst our peer group, including Marathon, Riot, as well as CleanSpark.

We generated a gross margin of 25 percent for 2023, which increased to 43 percent in Q1 of 2024, which is ahead of our peer group across-the-board. From an operating expense perspective, we outperformed again across-the-board, with 22 percent in 2023, reducing to 9 percent in Q1 of 2024, so across-the-board have done a fabulous job compared to our peer group.

Now, I'm going to shift to where we're heading longer term and continue to diversify our hosting customer base. Following the success of our initial HPC deal with CoreWeave for the 16 megawatt data center in Austin, we've continued to build our HPC capabilities, taking advantage of the rapidly growing, expanding HPC and AI compute opportunities. We're--expanding our hosting business allows us to diversify our top line by reducing the exposure to overall bitcoin volatility as well as reallocating a portion of our business to a U.S. dollar-denominated, stable, high-margin set of revenues.

So, let's dive into a little bit more detail. As Adam suggested, we think it was really important to be able to provide you with more granularity around this HPC deal for the 200 megawatts, so let's dive in. As Steve outlined, one of the--at the outset of the meeting--one of our objectives for today is to explain the mechanics of the 200 megawatt deal with CoreWeave, which I'm going to spend the next few slides walking through.

So, I'll begin with the key deal terms. What you see here, and we thought it was important to actually set the stage, because what Adam and I talked about in Q1 was really the beginning of where we thought this journey was going to take us. And so, I think it's really critical for us to be able to set the stage with where are we with--comparing what we actually communicated in Q1 during our earnings call in May with where we actually ended for this 200 megawatt deal?

So, all metrics from the deal term perspective are aligned with what was communicated during the call. Our revenue is $1.45 million per year per megawatt, which is within the range of $1.4 million to $1.6 million, which is what we had suggested during our call. As Adam suggested, we also told each one of you that we were going to be between a 75 percent and 80 percent margin, which you're going to see modeled on the next slide--is that we're at the outer end of that range at 80 percent.

We--all power and utilities, which I think is absolutely critical, will be a direct pass-through to CoreWeave, so it's not included in what we'll show you in a moment. And we suggested that approximately 700 megawatts, as Adam suggested, was going to be allocated to our HPC business. That actually equates to about 500 megawatts of HPC hosting, which is important because that's really what's allowing us to generate revenue, and 200 megawatts of that is what we refer to as HPC support, as Adam suggested.

We've also communicated a range for CapEx. And so, if you remember, and what's on the slide here, is that we--actually, all investments are ultimately going to be paid by CoreWeave. But when we set the stage in May, we shared with you that the conversion is actually between 5 megawatts to 7 megawatts--or $5 million to $7 million per megawatt. A greenfield project is between $7 million and $12 million.

So, I think what is critical is, and Adam suggested we want to make sure it comes across loud and clear, is that CoreWeave will fund all investments associated with these build-out costs for that 200 megawatts. What I think is critical for you all to understand is that the first $1.5 million per megawatt is actually going to be funded by CoreWeave in order to build out those data centers, and that actually--that infrastructure will be owned by Core Scientific and is going to be offset from a revenue perspective at the beginning of the contract.

As important is anything above that $1.5 million is actually also an obligation of CoreWeave. They will actually own that infrastructure until the end of the contract, which is when they will actually transfer it to Core at a nominal cost. So again, critical to this presentation is just understanding that they will actually be on the hook for 100 percent of the infrastructure build. And then lastly, we talked about the actual conversion and ultimately it taking three to four years to actually convert all 500 megawatts. What you see here is that we're actually going to be up and running in the first half of 2025.

So with that, I'm going to take a little bit deeper dive. So in addition to the key deal terms, we thought it was absolutely important to walk you through a simple and illustrative example of how this will actually play out from a financial perspective. Over the next--what I would suggest is I'm going to start on the lower left-hand corner. You can see there that the $1.5 million equates to $300 million of investment from CoreWeave in 2024.

That is actually going to be recorded as deferred revenue, and it will be offset against our hosting revenue in the beginning of the contract at a 50 percent rate on a monthly basis. And so, we'll walk through that in a moment. Over the next several quarters, we're going to continue to build out our infrastructure. If I can move to the right, in 2025, which is year one, we will be in a position to actually operationalize that 200 megawatts and begin generating revenue.

So if I can take you to the table above, as Adam suggested, we have about $3.5 billion in revenue for the 12-year term. That includes base license fee, it includes our deferred revenue as well as annual escalators, and it is actually straight-lined over the life of the contract, and so you see there $290 million in revenue on an annual basis. The expenses include not only facilities operations, but it also includes security, it includes repairs and maintenance on our owned infrastructure, as well as additional FTE, property tax, and insurance.

It is estimated today that that is going to be about $58 million per year. And so, you can see there that we have a margin. I can't actually read it. What we're referring to down below is the

actual offset for the rebate that is actually being paid to CoreWeave for the $300 million that they had contributed in 2024, which I had suggested was going to be offset against revenue. So, we actually have--the $145 million is basically the equivalent of 50 percent of the $290 million in revenue, and so we're calling that sort of the after-credit profit as well as the after-credit margin. And that is at 30 percent.

If I move you to Year 1, you see a very similar situation. It's not until Year 3 where we actually see a slight adjustment based on the fact that we only have $10 million of additional costs in order to rebate back to CoreWeave through our hosting revenue. And so, you start to see the margin improve as you move to the right. For Years 4 through 12, that's when we have actually paid off this contributed capital, and ultimately, what we're going to see is an 80 percent margin for Years 4 through 12.

So, I know that that was a lot to sort of take in in a short period of time, and we certainly have time for Q&A, but just wanted to be able to actually walk you through at a high level the actual economics. This is illustrative. It's a very simple way of looking at this. But, I think it will give each one of you just a sense of ultimately how this contract is going to play out once we actually enter 2025.

So with that, I will--I think the next item on the agenda is for us to actually go out, grab lunch, and then we will come back, and we will hear from Matt Brown, our COO.

Matt Brown
Okay. Thank you. Great having everyone here today. Super exciting time for Core. So, what I want to walk you guys through over the next few slides is sort of our approach to digital infrastructure, number one. We'll cover some updates around operations, and I'll talk a little about kind of what we see as some emerging trends.

First off, I know we're all excited about HPC. It's been in the news lately, if you have been paying attention. But, this company, as Adam indicated earlier, we're laser-focused on mining operations. We're not taking our eyes off the ball. And if we just do a little overview of our 2024 performance here and the incredible work of our operations teams--and that they're doing on a daily basis. And I'd be remiss if I didn't give them a shout-out. I mean, those guys every single day are just killing it.

So, uptime and hash rate utilization, top quartile in our peer group. We're continuing to focus on our energy efficiency, driving down our joules per terahash, optimizing our fleet. We've been deploying miners this year, more than 28,000, between XPs earlier in the year and S21s later--earlier in Q1. Grid support, we've been busy since 4CP started here in Texas. We're up to 73 gigawatt hours of grid support around 200 events. And our operations teams and supporting, keeping hash rate online, are contributing to our bottom line by restoring more than two exahash back into operation through our repair services.

So, a little about our HPC side, as Adam mentioned earlier, it's like we're about designing to application-specific infrastructure. And I'm going to walk you guys through here in a few slides around our approach to what we coin as application-specific data centers. So on the operation side, 1.2 gigawatts of infrastructure--contracted infrastructure, 500 megawatts we have allocated to HPC just for a rough order mag--magnitude mass, just so people can sort of translate what that means in GPUs? It's about--roughly around 300,000 Blackwell GPUs is what we have the capability of supporting within that footprint.

On the performance side, our Austin Data Center has performed flawlessly since we commissioned that for CoreWeave earlier this year, so 16 megawatts up and running. We delivered that more than a month ahead of schedule from where we expected, 100 percent uptime. And as Adam already mentioned, around our 200 megawatts contract with CoreWeave, we're in the process of executing the delivery of those 200 megawatts today.

On the efficiency side, our Austin Data Center efficiency around HPC, 1.4, which is kind of in line with our industry peers from that standpoint. But, we expect that to continue to drive down as we confer more megawatts to that. And then on a global basis, we sort of combine our HPC and our mining to below 1.2 on the mining side alone, below 1.5 on the PUE side, so energy efficiency, operating efficiency is at the top of our minds on a daily basis.

So, sort of in a sort of illustrated timeline on the delivery of the 200 megawatts, so we had three tranches of megawatts, 80, 80, and 40, all being delivered by--in the first half of 2025. Some of those megawatts will come on earlier, but some of--but, we expect all those megawatts to come on before the end of Q2.

And so, what are some drivers? So from our standpoint, when we sort of look at emerging-- some of the emerging trends from the technology space, there's really like two things that are really happening here. One is we're sort of leaving the era of general computing x86 architectures, which is sort of in the era of transistor scaling via Moore's law.

And we're going into--more into an era of system scaling, heterogenous architectures like Grace Hopper, GPU architectures as an example of heterogenous architecture. ASICs, chips, and use for blockchain is another example of an application-specific architecture, where you gain efficiency at scale through scaling the systems, not scaling the individual transistors that are embedded on the chip.

And so, this move to sort of specialized computing architectures, GPUs, FPGAs, ASICs, and quantum more out into the future from now, only positions us to being in the right place with the right type of data center approach. And so, somebody--I was talking to somebody the other night, and I'm going to steal a term from them. And it says, "Hey, essentially what you guys are doing, you're trying to ASICs a data center," ASICs being an application-specific integrated circuit, which is predominantly used in bitcoin mining, where it's highly optimized to do one thing.

And essentially, that is our approach to data centers. It's like application-specific, highly optimized for a specific type of workload. And to the left of this graph, you see some of the examples of what some of those workloads we expect to be, everything from AI and machine learning, which is what we're experiencing now with the current growth, blockchain, which is something we've been doing for a while and have become incredibly--pretty incredibly proficient at.

But, IoT, it's like (inaudible) computing, autonomous cryptography. And then, the types of technologies used that are application-specific, GPUs, ASICs, FPGAs, TPUs, DPUs, quantum, neuromorphic, these are just all emerging technologies that require application-specific infrastructure structure to support them. So, our position is that the data centers that have been built in the last 20 years are no longer suitable for the future of computing, going forward, right? And I'll get into more of what that means.

So, our approach to--so, a little about the application-specific data center and what it means to us. It means incredibly high-power densities, greater than 100 kilowatts per rack. Just to give you a frame of reference, the 2023 survey from Uptime Institute that sort of measures--one of the questions they asked is what's the average rack density, power density of the racks in your data center? It's less than 6 kilowatts universally across-the-board in aggregate, right?

So for us, we're designing for the future, we're designing for incredibly high densities with a gigawatt--more than a gigawatt of (inaudible) infrastructure capacity, designing to 100 kW per cabinets, dedicated large footprints, which is also something from a business model standpoint. We're after customers that need to operate at scale, density at scale. So, 14 to 200 megawatts-type footprints, 25,000, 250,000 square feet-type footprints is what we're talking about.

So, this is truly like exascale level type of computing, which is something that's really nonexistent in the marketplace today. And given the amount of assets we have in the ground, given the amount of contracted capacity we have in the ground, we have a lower cost per megawatt, we can build faster, and we can get our customers GPUs into the market quicker.

The high-capacity fiber providers are just something we have naturally built into all of our sites, so we already have diverse fiber carriers, diverse paths, enough fiber optics to support AI. And then, our future model is everything will be liquid cooled in our data center--HPC data centers, going forward, so direct liquid-to-chip. And our approach to design with an application-specific data center differentiates from a traditional data center that you might see in the market is that most data centers are designed for one monolithic use case and one monolithic tier.

And if I think about data center tiers, data center tiers are essentially--according the Uptime Institute, you have Tier 1 through Tier 4. Those just indicate the levels of redundancy and resiliency and how much equipment you have that will correspond to an uptime calculation or your ability to maintain a site under--with all your scenarios or under maintenance scenarios.

And then, our approach is instead of building one monolithic tier, one data center to be all Tier 4 or all Tier 3, it's like we want to take more of a targeted approach with that. And so, it is called a zone multi-tier. And when I get into the illustrative example here in the next slide, you'll get a good picture of what that looks like. But essentially, if we can target resiliency that is truly optimized and tailored to the underlying application--and then that allows, as customers, to sort of balance for liability with cost effectiveness and economics.

So, an example of what we start with when we build a bitcoin mining site. So, what you're going to see here is an illustration of two buildings. And when we build a bitcoin mining site, we build a substation, we have a tech center, and we have a main distribution frame. This is the main distribution frame, essentially where we land all of our carriers, so all of our fiber connectivity comes into one spot. It comes in through diverse paths into this spot, and we distribute out to the rest of the campus from there.

We have medium voltage distribution transformers. So, our medium voltage from the substation to the buildings, we deploy those. Then, we add in our 86 miners, our switchgear, our PDUs to power those miners. And then, we have one big--two big cold aisles on each side of the building, one big hot aisle, to allow for airflow and exhaust. So, this is essentially what a bitcoin mining facility looks like today for us.

So, what does it look like when we transition to a--make this transformation to HPC? Well, we land in--we start landing in generators, we land in chiller systems. We incorporate in our buildings what we refer to as power zones. So, these power zones are where we are landing the UPS's, our lithium batteries, our switchgear, et cetera, to power the GPUs. And the mechanical plant, the chillers, the generators, the battery systems is where the incremental CapEx comes in in order to deliver this type of infrastructure.

And then, we get into the actual IT kit itself, being the GPUs, what we refer to as GPU zones and Spine zones. And this type of architecture, it sort of goes back to what I was talking about earlier with the sort of the zone tiered approach. So, not all computing architectures are the same. I can say the same thing about cloud software, understanding what your needs are of your hypervisors, of your control plane, of your network and storage fabrics, where there's target resiliency in uptime.

The same thing with AI. When we look at the infrastructure stack for AI and the use cases for AI, we can sort of take a zoned approach with that. And the zone approaches are--well, not all AI is equal. So, we can have (inaudible) zones, and we can have training zones, and then we could tailor the infrastructure to those specific zones, given the uptime and resiliency that the clients wants or desires for that type of workload.

And then, in the Spine zones, you can think of these as all the shared services, all that the GPUs need. They need robust, high-capacity network services, interconnection. They require--

there's a control plane. There's storage and storage fabric. These are things that are super mission critical to run the application workload, to run the GPUs.

And so, therefore, our approach here is to target these areas for high levels of resiliency by giving them additional back-up capabilities, power back-up capabilities, cooling capabilities, et cetera, so--that allow concurrent maintainability of that portion of the infrastructure, whereas the GPUs may not need to be five lines of availability. But, maybe two lines of availability or three lines of availability may be--may suffice. And so, again, our approach to data center architecture is very, very different than what you might see with a data center provider that's building a 100,000 square foot data center and making it all Tier 3 and not taking a target approach with that.

So, how does that compare to the market today? So, when we think about what we're doing, what problems we're solving to what I will call the conventional sort of co-location offerings that are out in the market, and I'm being a little bit unfair. This is certainly in the aggregate, but if you were to go out to the marketplace today with high-power demands, what are you going to run into?

Well, what you're going to run into primarily is, well, a lot of fragmentation of capacity. If you're going to ask for 20 megawatts, 50 megawatts, 200 megawatts, you're not going to find it. You're going to find providers that will give you 1 megawatt here or 2 megawatts there or 3 megawatts over here, but it's going to be highly fragmented capacity. So, that's the first thing you'll run into. Finding contiguous, high-capacity is going to be incredibly difficult right now.

Number two is a lot of these data centers that have been built in the last 20 years are predominantly air cooled. So, getting water cooled at scale might be difficult, and so customers running into that problem. And even data center providers that are--that sort of advertise they have DLC or water cooled to the rack, it's highly fragmented again. So, if you have a data hall that only has 1 megawatt of capacity, you're only delivering 1 megawatt of water cooling anyways. And then, that's going to be scattered around the facility. It's not going to be optimized for what customers are trying to do with their high-powered AI training workloads.

And then, the third thing that you're going to see is that the ultra low densities--again, I'll reference the Uptime Institute's 2023 survey, and 2024 is not going to be that much different. The density per cabinet in aggregate is less than 6 kW across-the-board. And it's just because what data centers were solving for over the last decade or more has not been optimized for high-density compute workloads. It's been optimized for the general area of computing that we're exiting out of. General computing x86, Moore's law scaling, now we're in a totally different era of compute acceleration.

And on our side, we're solving for these problems. We have--from a bitcoin mining standpoint, we already designed our facilities to more than 1,000 watts a square foot, right? A 50 megawatt building with 50 megawatts is a pretty typical footprint for us today. We have large

amounts of contiguous capacity, 25,000 square foot footprints to 250,000 square foot footprints, 14 to 200 megawatts. We have--we're designing for water cooled at scale. Every single cabinet in our data centers, all 200 megawatts for (inaudible) will all be water cooled.

And then, our approach to tiering is highly optimized. It allows us to build faster at a lower cost and get GPUs to market quicker. And then, our densities--again, we're designing to above 100 kW a rack. We're--likely in future iterations of our designs are going to much higher than that, but we're designing that in future proofing high-performance computing at scale as part of our design.

And that's all great, all the infrastructure, our design approach, novel, unique. But, it all needs to have services kind of wrapped into it. So, if you think about what Core Scientific has been good at for a number of years, it's like we're really, really good--the operation teams are really, really good at maintaining high availability, high uptime. Even in the bitcoin mining world, our uptime is pretty impressive, right?

We're really, really good at moving hardware. There was a period of time in 2022--late 2021, early 2022, where we moved 70,000 ASICs miners in about 45 days, not just moved them, but we moved them, installed them, and energized them, and were generating revenue in day 46, right, which is really impressive. You don't do that unless you have a team that knows exactly what they're doing, logistics, supply chain, et cetera.

We have a robust, crack software team with expertise from Microsoft, AWS, et cetera, so we knew how to write software, we knew how to deliver internal capabilities that are unmatched in the industry. Then, our network and planning services, like running AI requires a lot of bandwidth, requires a lot of connectivity, both within the site but also getting fiber to our sites. And so, we have a team or experts in route diversification, carrier planning, low-voltage planning, and high-capacity fiber networks, and being able to deliver that infrastructure at scale.

And I would not--the other thing that we're incredibly good at is delivering power. And you don't deliver power unless you know how to acquire the power, which comes in the form of working with utilities, working with grid operators, negotiating PPAs, negotiating rate structures, tariff structures, sort of optimize our costs of running our facilities. And we have an incredible power team, which is able to offer tremendous value to our high-performance computing customers on a go-forward basis.

And then, I would say like 24 x 7 security is super critical in this space, in the HPC space. So, what you'll see in our HPC data centers is multiple layers of security, 24-hour guards, remote monitoring, alert detection, et cetera. So, I can't say enough about our security team and the work they have ahead of them, but we're going to have the most secure facilities in the world when we're done.

And all of that is not possible without a rock-star team. And what I'll point out here, so much the individuals--while the individuals are all fantastic, for a company that was born as a bitcoin miner, we have a lot of Fortune 500 digital infrastructure experts on our staff. It's not just my direct staff, but it's multiple layers in the management. The names that we have here, a lot of Hewlett Packard. I built an entire team by pulling in people that had worked for me at HP years ago. They all knew--they all know their roles. They all fell into their place.

We know how to run enterprise infrastructure very, very well, like we are an enterprise data center team or a team of experts that sort of learned bitcoin mining and adapted our skills and expertise to bitcoin mining. So, the fact that we can go back to HPC is really natural for us. And some of the names here, Digital Realty, Equinix, Hewlett Packard, Data Bank, I mean, the list goes on the deeper I go into the organization.

So, I'll often get asked the question, like, "What you guys are doing, can it be replicated?" It's sort of like an if, then, else kind of logic answer, right? And the answer to that question is, "Well, if you happen to have more than a gigawatt of power infrastructure allocated to you, if you happen to have the right infrastructure power assets in the ground, if you happen to have selected the right sites in the right locations with the right building form factors, and you have the right team of digital infrastructure experts, then it's like, yes, then maybe you can probably do it." But, that's a lot of hurdles, that's a lot of ifs to replicate what we're trying to do right now. And the team is really a big portion of that.

So, thanks for everyone being in attendance, and I'll hand it back.

Steve Gitlin
So, we're going to jump to Q&A now. And thank you for holding your questions for this round. I'm sure you have a lot of questions. But, what I'd like to do, for the benefit of the webcast, is if you'd raise your hand, I'll come over with a microphone, and I'd like you to introduce yourself by name and where you work and then ask your question, if that's okay.

Do we have any questions? All right, let's start over here.

Lucas Pipes
Thank you so much, everyone, for the great day, for the great presentation. This is Lucas Pipes from B. Riley Securities. And, Adam, I wanted to ask two questions on the terms with CoreWeave. The first is the buyback at the end of the contract life. Is that at the depreciated value, at the nominal value? Is that in year 12, or is that following the extensions?

And then, in--with the ramp-up first half of 2025, let's say there are some delays for some reasons outside of your control, do they still pay you that annualized revenue of $290 million, or would that get pushed out as well? Thank you.

Adam Sullivan

Thanks, Lucas. Yeah, so at the end of the contract, we'd be purchasing back (inaudible) de minimis value, so near zero value. And then, in terms of our payments, those payments begin when we energize the facility. And so, once there's availability for the GPU to be plugged in, because it's really our job to bring the facility to a state where it's GPU ready, and so that is when our revenue begins.

Steve Gitlin
Next question.

Adam Sullivan
That's when the 12 years starts.

Bryce McNallie
Hey, guys, great presentation. My question is for the--Bryce McNallie with Power Mining Analysis. For the 200 megawatt CoreWeave deal, you said it takes about 35 percent additional megawatts for the auxiliary services, so say 270 megawatts. If you're going to retrofit these buildings, and CoreWeave has offered to put up the capital to do that, you convert them to HPC, what's going to happen to all those mining rigs and the self-mining capacity? Does part of that money go to backfill or replace those facilities, or are those going to go in to replace hosting machines or--

Adam Sullivan
--Yeah, so one of the things we mentioned on the call was--or on the previous part of the presentation is that for our bitcoin mining hosting clients, we're going to most likely not renew those clients. That brings about 145 megawatts available back to our self-mining business. We also have partially built infrastructure at two of our facilities in Texas that will allow us to continue to expand our bitcoin mining footprint and have 500 megawatts left over for bitcoin mining.

Now, as we begin to refresh machines and purchase new machines, it gives us the opportunity to actually continue to increase our exahash while actually maintaining a very similar footprint on a megawatt basis. And I think one more point to add to that, actually, is we're aggressively going out and looking at more sites. And so, that's part of our plan is to continue not only to expand from a bitcoin mining perspective but also on HPC. And so, we have one of the best site selection teams in the industry.

We've gone out and sourced eight facilities across five--or six states, really, and we've been doing that over the course of the past seven years. And so, we have a very unique insight into the market, understanding overlays between available power, between fiber, between potentially even brownfield facilities that aren't necessarily inside of the target market that normal people look at but that we know fit the exact criteria that we need. And so, that provides us a very unique opportunity to continue to grow our footprint and to continue to execute on both bitcoin mining and HPC.

Bryce McNallie
Thank you.

Gregory Lewis
Hey, thanks, guys. I guess this question is either for Matt or Adam. Oh, Greg Lewis. Adam or Matt, I guess this question is for you. You kind of have been--you've announced, "Hey, we have 500 megawatts that we're targeting potentially to go down the data center route." You've laid out the case for--not laid out the case, but you have access to the 1.1.

Is it too early to start thinking about what could or would need to happen or what type of partners we may want to have to maybe see about upgrading that other capacity to potentially being able to access or service HPC? Or is that just a step too far, owing to things that we've been talking about all day in terms of latency, access to fiber, and things like that?

Adam Sullivan
Yeah. Thanks, Greg. So, out of the 700 megawatts, we said that 500 megawatts is power that's going to go to the chip. For the remaining 500 megawatts, we view that as competitive bitcoin mining sites, so sites that we believe will be competitive in 2028 and 2032 through the next two halvings. And so, there might be opportunities to convert some--a portion of that to HPC, but we believe we'll be able to find new opportunities outside of our existing portfolio that would be more cost efficient for HPC development.

George Sutton
Thanks. George Sutton with Craig-Hallum. So, Adam, you've mentioned that you had a handful of large players in your deal mix, those who were willing to pay you upfront and pay for a lot of the CapEx. Is that still a requirement for the additional megawatts that we're talking about?

Adam Sullivan
I think we talked about it a bit on the Q1 earnings call. We ran a very competitive process on those 500 megawatts. You can tell by our deal economics that are relatively shaking to the entire data center industry in terms of what we were able to execute on. We're going to continue to build on top of what we did on our first 200 megawatt deal and continue to find clients that are willing to pay for the CapEx upfront.

Kevin Dede
Kevin Dede, HCW. A question for Denise. On the balance sheet, obviously the stock has taken a great flier on the news and other circumstance. I was just wondering if you could shed some light on how you plan on handling the conversion of the warrant, when you might expect that, and what you might think the balance sheet might look like as the year progresses.

Adam Sullivan

Yeah, so based on where the stock has been trading over the course of the past few days, we're obviously a few days into the 20 consecutive conversion days that are required for the convertible notes. That requires 20 consecutive days of the volume-weighted average price above 779. And our opportunity is here, continue to execute on our business, continue to get this company to a place where we're able to not only convert those convertible notes but also begin the conversion of the Tranche 1 Warrants.

The Tranche 1 Warrants present a significant opportunity. It's about $670 million in cash that comes into the business upon full exercise. And that will give us an opportunity to clean up our balance sheet and be in a very strong cash position of over $400 million. Once we get to that point, we'll be able to continue to accelerate our growth, and it will provide us a significant opportunity, going forward, to actually grow at a faster rate that we're even planning for today.

Mike Grondahl
Mike Grondahl, Northland Securities. Could you talk a little bit about the process you ran, and CoreWeave was selected? Was there other hyperscalers in there, how competitive it was, and maybe just why CoreWeave at the end of the day?

Adam Sullivan
Yeah, so we ran a very competitive process. We started with over 50 potential clients. And then, what we said was you have to sign at least a 100 megawatt deal and be willing to pay for all the CapEx upfront. That obviously narrowed the list down significantly in terms of the number of potential clients that were willing to put up at least $500 million on a 100 megawatt conversion.

That limited it to mainly tech companies, many of which were pursuing the newest generation of GPUs. That's something that Matt talked about earlier is the fact that we are building very application-specific digital infrastructure. It's very hard to find scale in this industry. It's even harder to find scale for the newest generation of GPUs.

And so, the main target client base are people that are looking to deploy the newest generation of GPUs that are being delivered in 2025 and 2026. And those are the people that are building some of the largest not only AI but also some of the largest other applications that are requiring the newest generation of GPUs coming to market.

Amer Tiwana
Amer Tiwana from Imperial Capital. You talked about scale and having access to power as--in the AI development as very important. Can you talk about your power? You said you have about 1.2 gigawatts contracted. Can we talk about what the economics are? Just give us a little bit of sense of how to think about that.

Adam Sullivan
Sorry. I just want to clarify the question. Are you just asking about like power rates--.

Amer Tiwana

--Is it index linked? Is it--how is your power sourced?

Adam Sullivan

Got it. Perfect. So, the guidance we gave in the beginning of this year was that our average power rate was--or our expected power rate was $0.045 to $0.047. In Q1, we came in at $0.044. Now, what that number incorporates and what that guidance also includes is our participating in the intermittency programs across our portfolio. In the regulated markets, we participate in programs that help lower our power costs.

So, based on our expectation of bitcoin mining profitability over the course of that year, it told us which power programs we'd be participating in. Now in regulated markets, we can pull back from certain intermittency programs and run at a 24/7 uptime. Now in the deregulated markets like ERCOT, where we have two facilities, our Denton and Pecos locations, those are opportunities for today. We're running index PPAs.

And so, when we turn off, we're providing power back to the grid. And on a go-forward basis, if we evaluate potentially bringing HPC to any of our Texas locations, we would be signing new PPAs that would be for what the data center really desires and needs, which is a much higher uptime than what we currently operate at for bitcoin mining.

However, Texas is not new to data centers. Dallas is a major data center hub. And so, all of the power companies and utility companies are very familiar with how to structure power contracts for data centers. And so, that's something that we're currently in discussion with utilities about to understand what those rates look like, so that we can be able to pass that on to our clients who are evaluating opportunities within our portfolio.

Joe Flynn

Joe Flynn, Compass Point. I was hoping you could provide us some color on the 60- to 90-day core of expansion options and whether we should assume the $1.5 million per megawatt, or would it be different on a side-by-side basis?

Adam Sullivan

Yeah, so in the press release that announced the first 200 megawatt deal, we also announced that CoreWeave had a 60- to 90-day option, depending on the site, for a meaningful number of megawatts. That current option agreement is for a similar style contract to what we walked through today.

And so, we're still exploring with other potential clients what that may look like, what--not only the 300 megawatts, but also as part of our additional expansion is we evaluate new sites, whether that fits into the criteria that certain new clients potentially would want to execute on.

And so, this is kind of the starting point for where we believe our contracts are, and we're going to continue to seek out contracts that look very similar to this type of deal.

Darren Aftahi
Darren Aftahi from ROTH. Could you break down the $5 million to $8 million and the $7 million to $12 million per megawatt range, like what the biggest cost components are in two segments?

Adam Sullivan
Yeah, so the biggest cost components that fall into that is mostly all of the large capital equipment, so predominantly generators, chillers, UPS's, batteries as well as the materials to install that equipment. That's where the brunt of it is. And then, the rest of it is really in labor costs.

Brett Knoblauch
Brett Knoblauch, Cantor Fitzgerald. I guess, just taking a step back and looking at maybe why CoreWeave chose you guys versus maybe looking at some of the other miners who have access to power, like what would you say the top two reasons are? Is it the location of where your mining facilities are right now? Is it your access to power, latency, the design of your current infrastructure? Like how should we kind of think about the main reasons why you guys are most uniquely positioned to take advantage of it?

Adam Sullivan
Yeah, it comes down to really infrastructure and team. Our infrastructure base provides a very unique opportunity to actually locate very--a large number of megawatts at single locations. That's completely unique right now in the data center industry, and it's extremely hard to find infrastructure at our scale, and also the time to power.

And so, given the fact that our facilities are essentially structured as power shells, that's completely different than what you see actually in the broader market for other bitcoin miners. We structure these facilities based on a traditional data center design. And so, it's not only the fact that they can plug in--or they can access the power more quickly, but they can actually run machines more quickly. That is a complete advantage that we have in the market.

The second part is the team. Matt walked through the team that we have inside of Core Scientific. If we're going to double data center capacity over the next six years, that means this industry needs to find a lot more talent to bring into this industry. Right now, that's incredibly competitive. We put this team together years ago, and we started with many traditional data center folks inside the company.

And so, given the roots of this business, given the infrastructure footprint that we have, it is an incredibly unique proposition to any client to actually say, "We can trust you to build out 100 megawatts of HPC capacity, and we can trust that you can not only deliver on what you

promised but also hand us over a GPU-ready facility at the end of the day." And so, our infrastructure footprint, our team, represent the most unique value proposition in the market. And that's why people are coming to us right now because they know that we can deliver on the time frames that we set out.

Yeah, that's a great point. One of the things that was just brought up is we were also a long-term hosting partner to CoreWeave. We operated their GPUs from 2019 to 2022, and that provided them the knowledge that we could execute. We knew how to run GPUs, they know our team very well, and they can trust us.

That's something that's very hard to find amongst other bitcoin miners today, is that you don't know if they'll be able to execute. Many of the companies have only been around for a few years. And so for us, we have clients that have been in our facilities for more than many other companies have existed. And so, that provides a high level of trust in this industry that is very hard to come by.

Alex Schmidt
Alex Schmidt from CoinShares. You mentioned time being important for players in this industry. What will happen once other companies have built out data centers, converted them to HPC? What do you think your differential is going to be then in the future against now?

Adam Sullivan
Yeah. I mean, AI compute right now is just the first growth factor, right? Five years ago, it was bitcoin mining. Everyone was chasing megawatts to find bitcoin mining infrastructure. Today, it's AI. A few years from now, it's going to be--we're going to be onto the next growth area. And so, it's continuing to build out infrastructure that is specific for that application. Each application is going to have different requirements.

The nice part is and the reason why we develop our infrastructure the way it is, is so that we can actually perform and be much more nimble in terms of what we're operating in those facilities. And so, it requires less time to power, which is something that every industry craves, especially in its early growth time period.

Matt Brown
I'll add onto that question. By the time people catch up to us, we're going to be way far ahead of the game, like way far ahead. Like what's the delivery time for a substation today, 100 weeks, 200 weeks from now? That's if you started today. Generators, not easy to come by. Getting access to power, getting your entitlements improved, just to get your contract in power, might take you two years.

So in the meantime, while people are trying to get their power contracts in place, while they're trying to source their substations, we're going to be multiples of hundreds of megawatts down

the road, grabbing market shares this entire time. So, the differentiator is going to continue to be scale and speed to market.

Satish Patel
Yeah, Satish Patel from CoinShares. Do you have any insight into CoreWeave's clients in terms of the type of clients that they have, the number of clients, and how you would effectively manage that load on your side? And number two, would you consider buying GPUs in a later stage and essentially move up the supply chain?

Adam Sullivan
So, I'm going to take the second question first, and then I'll hand it back to Matt Brown. So from our perspective, really what we're targeting is doing what we do best, which is digital infrastructure. We're very good at operating that. And there's a lot of additional capabilities that would have to be built in-house for us to be able to execute on what CoreWeave has executed on, as well as some other large AI companies.

There's always a potential down the road that there could be opportunities that present themselves for us to own and operate those GPUs ourselves. I mean, a great example is look back at the history of Core Scientific. We started as a bitcoin miner, moved to become the largest bitcoin hosting business in the industry, and then moved back to being a self-mining company.

And so, as opportunities present themselves and as economics change over the course of time, there may be opportunities that present themselves for us to operate GPUs or own the GPUs ourselves. But today, we're hyper-focused on building the digital infrastructure.

Matt Brown
And I'll take the first part of the question, which is, yes, we do know who the customers are, specific as it relates to CoreWeave building infrastructure, GPUs, deploying GPUs into our facility and what those use cases are and who the underlying customer is. And we do meet with them as part of the design development process.

James Butterfill
Hi, James Butterfill from CoinShares. It's quite a bold move into AI for you. What's the happy medium in terms of a balance between bitcoin and AI from a revenue perspective?

Adam Sullivan
I mean, bitcoin mining started this company, right? It's going to continue to be a major driver of this business, going forward. I think one of the biggest things that we're going to continue to evaluate are facilities and locations that provide us opportunities to execute not only over the next two halvings but potentially three or four halvings from a bitcoin mining perspective. That's incredibly important to us. Bitcoin mining, we do it really well.

And every generation of new facilities that we build have gotten better and better, and we're the best operator in the industry for bitcoin mining facilities. And so, that's something that we're going to continue to execute, growing our bitcoin mining business, and be the best operator out there. And that may take us into other countries, into smaller locations, but we're going to continue to build out this business because we are bitcoin miners at heart.

Kevin Dede

Kevin Dede, H.C. Wainwright. Adam, you kind of alluded to where I was going to go next. Maybe just a little more color on site acquisition, how you see the market, what your pipeline looks like, and then more color on that international thing that you alluded to just here.

Adam Sullivan

Our pipeline is robust. I'll say it's bifurcated between bitcoin mining facilities and HPC locations. They have different criteria. Right now, things that we're evaluating on the bitcoin mining side is how do we move and capitalize on this major software platform that we built where we can remotely manage over a million machines and actually take that one step further and actually move into potentially lights-out facilities, more distributed across a larger number of sites?

And then on the HPC side, we're evaluating opportunities across the United States, some internationally as well, that could provide us opportunities to continue to expand. And one of the things that we really like about our target market--or our target sizing is it's different than a hyperscaler.

Hyperscalers are obviously going out and trying to acquire at minimum 250 megawatt, 300 megawatt sites. We can target smaller locations than what hyperscalers are. It actually provides us a very unique opportunity to go execute on opportunities that don't even cross their desk but that are highly valued and coveted in the market as long as we can bring them to power in a shorter time than what people could do from a greenfield perspective.

Anthony Power

Anthony Power from Power Mining Analysis. Looking at current bitcoin mining and the current machines, I have your efficiency rates at the moment, are you sort of like considering the development of mining machines? And we're going to see machines are more efficient in the next 21 pros (sp) probably later this year. Is this (inaudible) because obviously buying these more efficient machines, you'll reduce the requirement for effectively space by increasing your hash rate at the same time?

Adam Sullivan

Yeah, so in terms of our approach right now, and I think it's helpful to get a little bit of color about how we've actually been able to continue to increase our exahash while we've received new deliveries of machines. So, one of the unique capabilities that we actually built out, and it's learnings from 2020, and if you go back to 2020, machines went from an S9 form factor,

which essentially, a good way to think about it is a single mailbox, to an S17 generation, which was essentially a double shoebox.

Now, one of the things that we did during that development stage and reaped deployment of those machines was we actually made our infrastructure much more nimble. And so, one of the things that we were able to do was actually build out larger space between those machines. And it's provided us an opportunity that other people in the market can't do.

So, for example, our 34 joules per terahash, we can actually bring down the power draw on those, which actually brings down the efficiencies. So, we can take a 34 joules per terahash machine into the mid-20s on a joules per terahash basis and actually increase the number of machines in a facility. And so, we can actually achieve similar economics to some of the more recent generation machines from an older generation unit.

And so, we're constantly evaluating both the new market, as you mentioned, but also the used market because there are opportunities that exist today where as people start to rotate into the newest generation unit, we can actually on an ROI basis buy more machines, run them in low power mode, and actually achieve similar economics to what people are achieving with the newest generation unit. And so, those are opportunities that present themselves because we built our entire software stack in-house, and we have infrastructure that can actually take on that type of capability or have that capability for us to be able to execute on.

Adam Sullivan
Yeah, so a great point was just brought up. One of the things that running our forced air cooling system, we actually are able to maintain very strong machine health in our facilities. So, our machines are not degrading based on environmental factors. When the machines are at end of life, that's due to profitability not due to issues with the machine itself.

And so, we're actually able to keep our machines operational much longer than our competitors because we're actually able to be much more nimble in terms of how we're able to drop down the efficiency, double up machines potentially at some locations, and actually run those machines for potentially years longer than some of our competitors.

Matt Brown
Yeah. And I'll just add real quick. Yes, like our ability from a software and firmware standpoint allows us to just greatly optimize, and like we're squeezing blood out of turnips with older generation machines, right? So, you can think of it as I can take two machines, put them in ultra low power mode, right, and generate more hash rate within the same power envelope taking that approach. So, you end up with really the economics of a current generation machine just by sort of doing some reconfiguration of the previous generation machines.

Then, the other thing that I think is really exceptional about Core Scientific is our internal capabilities. We have a rock-star hashboard repair team. Like we do all of our chip-level

repairs, our traces. We can engineer our own PCBs. So, we can do things. We have capabilities that are just really unique in this industry. What does that mean for us? If I go back to last year, last year we repaired more than 30,000 of our own hashboards internally.

So, those are hashboards that another miner would either have to have sent off for six months to get repaired, or they just would have retired them and would have been forced to buy newer machines, right? And we don't have that. We don't have to do that because of our internal repair capability, because our internal software capability allows us to sort of, I'll use the term sort of sweat these assets for longer and generate more profitability out of them.

Martin Toner
Martin Toner, ATB. How is the cost of power that you're able to deliver to CoreWeave contemplated in the contract?

Adam Sullivan
So, the power costs and the utility costs are directly pass-through. And in both the regulated markets and deregulated markets, we have--we already have gone through the process of identifying what those power costs will look alike. And so, they do look a little bit different than what they look like for bitcoin mining because we do have intermittent (inaudible) baked into our power cost guidance.

But, they are well within the range of where HPC clients have power price sensitivity. I think that is actually a highlight that many people don't realize, is we have--obviously, we have a very advanced power team. Our power team has been managing one of the largest power loads in the United States for years. And that is an advantage that we are able to provide to all these HPC clients who have large power demand but don't necessarily have power teams.

And you see that across-the-board, not only with companies that have grown very rapidly over the past few years. But, even some of the larger technology companies don't necessarily have the power expertise, outside of just going to regulate utilities and asking for large-scale power. We have some of the most experienced power folks in the industry working for us because we've had to actively manage our power, not only in the regulated markets but also in the deregulated markets, in a way that really no other type of company has had to operate in.

Martin Toner
Thanks.

Lucas Pipes
Thank you very much. Lucas Pipes, B. Riley. Adam, I wondered if you could maybe speak to the 500 megawatts of bitcoin mining sites at the end of this HPC conversion? What sites will constitute those 500 megawatts? And then, I think at the beginning of the presentation, you showed a map that showed a dot in Oklahoma. Is that outside of the 1.2 gigawatts? And if not,

what is the--either way, what is the size of that and the potential growth prospect in Oklahoma? Thank you.

Adam Sullivan
Yeah, so to start off, Oklahoma is part of the 1.2, so we have 100 contracted megawatts at Oklahoma. We built a much larger substation in Oklahoma. There's going to be more opportunities for us to continue to execute in that area. On a site-level basis, we haven't announced where all of the megawatts are going on either the HPC or the bitcoin mining side. That's something that we're going to continue to provide guidance in the market.

But, one of the things that I would say is the sites that are remaining, the 500 megawatts that are remaining, are most competitive from a bitcoin mining perspective. And that's really going to help us fortify the bitcoin mining side of our business to help drive economics out of that side of the house.

Lucas Pipes
So, did you optimize for BTC economics or for HPC economics?

Adam Sullivan
It's a little of both. Some of the qualities that make a facility a very strong HPC location might not mean it's the best bitcoin mining location. And so, vice versa as well. And so, as you optimize for one, you're kind of optimizing for both.

Lucas Pipes
Thank you.

Steve Gitlin
Just want to mention that we received a number of questions from webcast viewers and listeners. A lot of them relate to the mechanics of the warrants exercise `and converts, so we'd like to refer everybody to the appendix of the presentation that's followed, that we're going through today and that's on our website. There are slides specifically that lay out the mechanics for exercising the warrant. So please--those who had that question, please refer to those.

I want to go to a question back here and get my steps in today.

Marcus Cusell
Adam, Marcus Cusell (sp) here from Ryan Capital (sp). If we think forward a couple of years you could have two businesses which have very similar operating profiles but very different economic profiles and would in theory potentially be rewarded very different multiples from the market, and some investors may not want the volatility from bitcoin but the stability from these long-term contracts. Can you talk about the operational synergies or dis-synergies and how you balance that off against the benefits of potentially having two standalone businesses?

Adam Sullivan

I think one of the biggest things is we're still in the early innings of bitcoin mining and the ability to hedge in bitcoin mining. I think over time, what you're going to see, and you're already starting to see it today, is there's a much more robust hash price market in four contracts. And over time, this business is going to become a much more stabilized type business model.

So, what we're seeing from a volatility perspective, seeing bitcoin trade on a 60 or 70 volatility, over the long term, that volatility is going to come down. As we start to see better hedging markets for bitcoin mining, the volatility of our revenue streams and our market profile will--our expectation is that will stabilize as well.

There are significant synergies between the two businesses, especially given the fact that as we identify sites that are really strong for bitcoin mining, as demand continues to grow in different areas of high-performance compute, it may be a significant opportunity for us to convert a facility that we may purchase in the future for bitcoin mining specifically to actually do a conversion.

And so, that's really where we see they synergy. That's what started this company. The company was built off of an infrastructure platform built for bitcoin mining with the ability to convert to other types of compute.

Steve Gitlin

Another question we received online is related to the 16 megawatt Austin Data Center that you both mentioned earlier. Can you shed any light on how those--the economics of that deal are similar to or different from the 200 megawatt CoreWeave deal?

Adam Sullivan

Yeah, so this actually goes back to a question that we received on our Q1 earnings call. The economics are a bit different. For a conversion, that's where--or, sorry, for--when we're taking over or leasing a data center that already exists, those economics are different than on a conversion opportunity.

On a conversion opportunity of one of our existing facilities, that's going to represent better economics than what we could potentially receive leasing out a traditional data center to actually perform a conversion. That's something that I'd like to note and highlight is that we did have to convert parts of that facility to actually make it conducive to the types of GPUs that we were hosting. It goes back to something Matt mentioned earlier, power density, the cooling needs. All these things differ as GPUs continue to advance.

And so, we're definitely looking at all types of opportunities for our growth, not only with potentially new facilities, potentially brownfield opportunities, but also some of these conversions where--very minimal time to market in terms of our ability to turn it on. But, our

ability to grab economics by finding clients who have an immediate need and our ability to convert facilities, it still represents a very accretive type of transaction for us as a company.

Wes Hoaglund

Wes Hoaglund (sp), SandsPoint Capital (sp). I have two questions. First question, under the bankruptcy agreements, we're not able to--or Core is not able to hold bitcoin longer than 10 days. Obviously, the convertible notes are going to be converting very soon, which will take 40 percent of the debt off the company.

As the W warrants cash come in, once the other debt is paid off, are the handcuffs taken off on our decision whether we want to hold or continue to sell 100 percent? And when that day comes, based on where price is, how do you plan on allocating bitcoin? Do you want to hold, and money you want to use for new things, shall we say?

Adam Sullivan

Yeah, so right now, a restriction is that we have to sell our bitcoin within 10 days of mining it. Obviously, with the Tranche 1 Warrants, upon full conversion, an important note is we are required to pay down, utilizing 50 percent of the proceeds, the $61 million delayed draw term loan and $150 million secured note. So, that represents about $211 million, so we need to have about $422 million of conversions, or exercising of the Tranche 1 Warrants in order for us to pay down that debt in entirety.

The covenants are mainly related to that $61 million delayed draw term loan, that $150 million secured note, and the $260 million in convertible notes. At that time, our intention is to put bitcoin on balance sheet. Now, I think one of our learnings from 2022 was always having an ample amount of U.S. dollars on the balance sheet.

Going back to 2022, we were one of the largest bitcoin holders in the public markets. And what we're looking for on a go-forward basis is, yes, maintaining bitcoin on balance sheet but never being in a position where we don't have enough U.S. dollars in order to not only execute for an extended period of time but also continue to fund our growth plans, going forward.

Unknown

Thanks for that. Next question was, with the potential other 300 megawatt HPC, let's say that happened in the next 30 days or 60 days--I know you guys are working on multiple deals--what would the time frame, because you're going to be fully operational, we hope, in the first half of next year on the 200 megawatt? But, if you sign that 300 megawatt, will Core Scientific's resources be able to--could you concurrently be doing both of those, or how far would the next deal be pushed out?

Adam Sullivan

No, we can run projects simultaneously, and so that's not a concern for us. We obviously need to sign contracts to be able to get better guidance in terms of when that next 300 megawatts

would turn on. But, I would say our expectation is for megawatts to come online throughout the time period of the guidance that we give for bringing that next 300 megawatts online.

Robert Harrington

Robert Harrington from Cantor Fitzgerald. So, two questions to the last one. In terms of--you were very clear on the process you went through and how competitive it was and the 100 million plus megawatt and then the condition of upfront CapEx. Is there a sense from your team that you would want to wait for first half of 2025 to be operational, or you're kind of--your heads down looking at new processes right now?

Adam Sullivan

I just want to make sure. So, you're saying on the next 300 or above the 500?

Robert Harrington

The next 300.

Adam Sullivan

So, we're actively engaged in conversations on the 300. Our expectation is that we would be running at least that 500 megawatts of conversion simultaneously. And so, that's our go-forward plan right now is to continue to find that next 300 megawatts of contracts.

Robert Harrington

Perfect. And then secondly, in terms of--you started with your opening remarks about just how transformational obviously the CoreWeave announcement was, and it's shaking up the data center industry. And obviously, Wall Street is very, very focused on you and a couple of your perceived peers in terms of HPC potential. Is there something like special about CoreWeave that what you've just done isn't repeatable? Or do you think that for you and for potentially others, CoreWeave in those sort of terms become the baseline for future deals?

Adam Sullivan

Our hope is that it does become the baseline for future deals. I think the capacity constraints in the market right now are very unique. I think they'll last for many years. And this is going to be our baseline for going out and seeking new contracts in terms of what we're looking for, in terms of our terms.

So, that's something that we've been--after we announced the first deal with CoreWeave, I would say the inbounds began to increase above what we were already receiving, based on our Q1 earnings call, where we walked through a lot of these details about the 500 megawatts, back just about a month and a half ago. But since we announced this deal, it has brought in a whole new group of potential clients into our team. And so, our hope is that this can serve as a baseline, going forward.

Mike Hughes

Hey, Mike Hughes (sp) with Creek Drive Capital. My question is we talked about 500 HPC and 700, including the support, also the 80 percent margin numbers. So, is the 20 percent cost inclusive of the 200 support? And we also talked about the power cost being passed through to the clients. Is the pass-through just for the 500 or all 700 of--like including support as well?

Adam Sullivan
Yeah, so the power is pass-through on all of the megawatts, not just the contracted megawatts. But, Denise, do you want to walk through some of the items that are included in the 20 percent?

Denise Sterling
Yeah, so as I suggested, that really represents--the majority of that actually represents the facilities' operations as well as, as I also suggested and we heard from Matt, the increase in security that's required around the HPC facilities that we may not see on the BTC side has obviously had an impact on that as well. What it does include is not only what we'll refer to as cost of revenue, which is more specific to our data centers, but it also does include any sort of overhead from an operating expense perspective as well.

Obviously, we're going to be increasing the number of FTE from an operations standpoint, and there will also be a bit of overflow, even on the operating expense side, in order to support the increase in the overall megawatts that are going to be built out. So, it does include not only, like I say, the cost of revenue but also our overhead that are included in our operating expenses.

Mike Hughes
Thanks.

Hirsh Condepolet
Thanks, guys. Hirsh Condepolet (sp) at Diameter. You've talked about converting facilities. Is that the same as converting sites? I guess asked another way, can you have bitcoin mining and HPC at the same site?

Adam Sullivan
Our intention is not to sort of co-locate bitcoin mining and HPC at the same site. So, when we talk about conversions, we're like a conversion, converting entire campuses. Of course, some of our sites are single building, so those are congruent. And other sites where we are multi-building, there would likely be a conversion of everything that's on that site.

Having said that, this is a conversation internally because I do believe that there is an opportunity to where the load profiles of bitcoin mining specifically, when combined with a low profile of AI training, can be highly complementary to each other. But, there's still a lot of engineering work, there's a lot of complication, a lot of software work, a lot of orchestration

work to sort of figure out how to balance that optimization. But, our intention is they will be discrete, separate pieces of infrastructure.

Steve Gitlin
Do we have questions in the room? We have time for a couple more.

Jack Shannon
Thank you. Jack Shannon, Imperial Capital. Could there be a scenario in the future where it might make sense to monetize or spin off the bitcoin business, and you become a pure play HPC company, and then maybe you even convert into a (inaudible)?

Adam Sullivan
It's hard to speculate on what could occur in the future. I think this goes back to an earlier answer that I gave. There is a lot of synergy between the bitcoin mining business and the HPC business. We have an opportunity to capitalize on power more quickly with bitcoin mining by going into locations that are very attractive from a rates perspective for bitcoin mining. So potentially in the future, there's--I'd say there's endless possibilities in the future, but it's very hard to speculate on how the market will value the two segments of our business and whether there is a significant multiple uplift from any type of process like you described.

Lucas Pipes
Lucas Pipes, B. Riley. Adam, you draw this distinction between greenfield and brownfield, especially on the CapEx side. Is this first 200 megawatt deal all brownfield conversion, and is all the remaining greenfield? Would appreciate your comments on that. Thank you.

Adam Sullivan
We have partially developed infrastructure. We have 455 megawatts of partially developed infrastructure. Inside of our 1.2 total gigs, all of it could potentially be considered brownfield because we're operating powered shells. But at the same time, I would say it's not true brownfield. Most of our facilities are what are termed in the industry as powered shells.

And so, that's something that I think is--it would be hard to differentiate across our facility base. But, if the question is more directly related to, are we converting some of our bitcoin mining, that's something that we're evaluating in terms of when and how the staging would occur if there are megawatts inside of our existing portfolio, which there definitely are some portion of that, both 200 of the next 300 that are within our existing footprint of our 745 megawatts.

Steve Gitlin
We're going to give the last question to somebody who has traveled the farthest to be here today.

Alex Schmidt

Thanks for that. Alex Schmidt from CoinShares from London. Is the contract with CoreWeave take or pay? And if not, would you be able to redirect some of the power capacity that you have directed to CoreWeave to your own operations? And if you do so, would you need to share the economics of that?

Adam Sullivan
So, they contract for the availability of megawatts, for the availability of kilowatts. And so, it is essentially a take or pay contract.

Matt Brown
I think that's a huge distinction. Thanks for asking the question. That's a really huge distinction because traditionally, in the bitcoin mining and hosting world, it's really about kilowatt hours of consumption, megawatt hours of consumption. And so, you sort of charge on a variable rate, based on variable consumption. And in this business model, it's more subscription based, so in this deal, CoreWeave is subscribing or leasing 200 megawatts of infrastructure. What their consumption--percent of consumption utilization of that is, is really about their operating efficiency. But, we're monetizing for the full amount of megawatts.

Adam Sullivan
All right. I'm just going to--I'm going to close this out, wrap up this segment of our session. Core Scientific is transforming our hosting business from bitcoin mining to generate value from one of the most significant technology transformations of our time, which is AI. Our initial 200 megawatt agreement with CoreWeave is not only incredibly meaningful, but it also represents only the beginning of our conversion to HPC with the next 300 megawatts as an opportunity that is identified today.

Success in this strategy will give us the ability to reinforce our bitcoin mining business, not only through the fortification of the economics of the bitcoin mining sites that we'll be operating, going forward, but also through the technology developments that we've made in the bitcoin mining side that are directly applicable to the development and the operations of HPC.

So, we believe the success is going to translate into significant shareholder value, going forward. So, as we really think about the investment thesis for Core Scientific, we think we represent a very unique digital infrastructure-driven opportunity in this space that is benefiting from the AI compute expansion that we're seeing today.

We commit to careful and efficient capital allocation, which is something that you saw with our first transaction, where we're actually getting one of our clients to pay for our expansion into HPC. And we got a team that Matt walked through earlier, but across this organization, that is unrivaled in this industry.

Our company looks much more similar to one of the larger data center companies in terms of our teams' capabilities to execute on not only the opportunities in bitcoin but also the

opportunities in the HPC side. And really, we seek to build out a much more balanced business that offers strong and high visibility of recurring revenue, with exposure to not only bitcoin mining but to the potential upside of AI compute, going forward.

So, I want to thank everyone not only on the webcast but all of our guests here with us today. And I want to thank our customers as well, who really trust in us to actually continue to operate not only on the bitcoin mining side but on the GPU side. And I want to thank our shareholders, many of whom are on the call but also in the room here with us today. We believe we've really charted a path here for the company and for our shareholders, and we're delivering results right now, but we're going to continue to deliver results in the future.

Thanks for joining us, and have a great day.