Call Participants

EXECUTIVES

Barbara Domingo
Sr. Director, Investor Relations

Gary A. Vecchiarelli
Chief Financial Officer

Zachary K. Bradford
CEO, President & Director

ANALYSTS

Bill Papanastasiou
Keefe, Bruyette, & Woods, Inc., Research Division

Brett Anthony Knoblauch
Cantor Fitzgerald & Co., Research Division

Brian H. Dobson
Clear Street LLC

Gregory Robert Lewis
BTIG, LLC, Research Division

Michael Anthony Colonnese
H.C. Wainwright & Co, LLC, Research Division

Stephen William Glagola
JonesTrading Institutional Services, LLC, Research Division

Tyler DiMatteo
BTIG, LLC, Research Division

Presentation

Operator

Good afternoon. My name is Krista, and I will be your conference operator today. At this time, I would like to welcome everyone to the CleanSpark Fiscal Year First Quarter 2025 Earnings Conference Call. [Operator Instructions] Thank you. And Barbara, you may begin your conference.

Barbara Domingo

Thanks so much, Krista, and thank you for joining us today for the first quarter fiscal year financial results call for CleanSpark, America's Bitcoin Miner, covering the period from October 1 through December 31, 2024. Our press release was issued about 30 minutes ago and is available on our website at www.cleanspark.com.

Additionally, the 10-Q will be filed shortly. Today's call is also being webcast, and a replay and transcript will be available on our website. On the call with me are Zach Bradford, our Chief Executive Officer; and Gary Vecchiarelli, our Chief Financial Officer.

Keep in mind that some of the statements that we make today are forward-looking and based on our best view of the world and our business as we see them today. The statements and information provided remains subject to the risk factors disclosed in our most recently filed annual report and 10-Q. We will also discuss certain non-GAAP financial measures concerning our performance during today's call. You can find the reconciliation of non-GAAP financial measures in our press release, which is available on our website.

And with that, it's my pleasure to turn the call over to Zach. Zach?

Zachary K. Bradford
CEO, President & Director

Thank you, Barbara, and thanks to everyone for joining us as we review CleanSpark's performance for the first quarter of our 2025 fiscal year. Before diving into this quarter's results, I'd like to take a moment to discuss our strategic positioning in greater detail.

As a vertically integrated pure-play Bitcoin mining company, we operate at the crossroads of Bitcoin, energy, operational excellence and capital stewardship. This strategic positioning has enabled us to become the largest producer of Bitcoin in the U.S. and the world's largest publicly traded pure-play Bitcoin miner. We firmly believe that Bitcoin is the only truly scarce decentralized and permissionless store of value and medium of exchange, a belief reinforced by its growing adoption.

At CleanSpark, Bitcoin is central to our capital strategy, driving our revenue as a pure-play miner and serving as the largest asset on our balance sheet. Our decision to aggressively hold Bitcoin has proven highly rewarding with significant value appreciation over time.

Our perspective on energy also sets us apart from much of the industry. Unlike others, we've adopted a broad portfolio strategy, expanding across 4 states and 31 mining facilities powered by abundant energy in net export states. This energy profile, combined with our commitment to operational excellence has made us an industry leader in [indiscernible].

While I will discuss our growth strategy in more detail later, one thing is clear. The regions we have strategically selected will more than support our expansion. Being an industry leader doesn't require topping every important industry metric. We are the only operator ranked in the top 3 across key measures of total hashrate, fleet efficiency, marginal cost per Bitcoin, total uptime and Bitcoin cost. This consistency has propelled us to achieve escape velocity driven by both scale and grid.

And as we proceed down the path to 50 exahash and beyond, every additional exahash beyond our quarter end position of 39.1 further enhances our operating leverage and margins, delivering these gains straight to the bottom line. Simply put, we are positioned to mine more Bitcoin more profitably over the long run.

A key milestone this quarter was securing a $650 million convertible bond, a significant achievement for our company. Unlike our competitors, we have taken a different approach and used the proceeds to invest in our growth and capital strategy. While Gary will provide further details later, it's important to highlight that our path to reach 50 exahash by the first half of 2025 is fully funded without relying on equity to fund that growth. We expect to achieve this target solely through greenfield construction and expansion of our sites in Georgia, Wyoming and Tennessee, a natural extension of our proven land and expand strategy that has driven our success thus far.

We've laid the foundation to continue our growth with maximum efficiency and now the road ahead is ours to shape. With their expertise, strategy and relentless drive, I have no doubt that our team will not only meet but exceed expectations, setting new benchmarks for success. With this foundation in place, let's take a closer look at the numbers.

Our first quarter revenue was $162.3 million, representing 120% growth compared to the same period last year. We closed the quarter with net income of $246.8 million or $0.85 per basic share, while our adjusted EBITDA, a key measure of operational efficiency and financial strength, grew to $321.6 million, setting a new benchmark for the industry. While Bitcoin's price appreciation during the quarter was a contributing factor to our strong performance, it was not the sole driver.

Our success is the result of our best-in-class Bitcoin mining operations, disciplined capital strategy and long-term view of Bitcoin as a strategic asset. Unlike others who sell mine Bitcoin immediately, our strategy of holding self-mined Bitcoin on our balance sheet, coupled with world-class operational execution continues to be a key differentiator in delivering these exceptional results.

During the quarter, the average price of Bitcoin exceeded $83,000, reaching a peak above $108,000, where our marginal cost per coin was approximately $34,000. This is a $2,000 improvement from the prior quarter. Meanwhile, our total Bitcoin and treasury stood at 9,952 at the end of the quarter and reached 10,556 as of the end of last month, demonstrating our ability to outpace the increasing global hashrate and mining difficulty.

We now hold one of the largest self-mined Bitcoin treasuries in the industry. Every Bitcoin was mined right here in America by American employees using locally sourced power that supports rural communities, reinforcing CleanSpark's commitment to responsible growth and operational excellence.

Turning now to our fully owned and operated infrastructure. Our team not only met but exceeded our 37 exahash target, closing the first quarter of our fiscal year at 39.1 exahash, solidifying our position as the largest Bitcoin mining operator on U.S. soil. Our fleet efficiency stood at 17.59 joules per terahash at quarter's end and has since improved to 16.15 joules per terahash as of January 31, making our fleet one of the most efficient in the world, a metric we expect to continue improving in the coming weeks.

Our strategic presence in energy abundant states strengthens our ability to scale efficiently. By all measures, this was an exceptional quarter, one that sets the stage for our next major milestone, 50 exahash. The foundation for this growth was laid in January of last year when we secured 60,000 S21 units with a strategic option to acquire an additional 100,000 units at the same low price.

This commitment gave us a significant competitive advantage in scaling efficiently over the past year. Building on that success, we expanded our investment in efficiency, 6 months later with another order for 26,000 S21 XT immersion units, the most efficient model to date, again, securing an option for an additional 50,000 units. This structure enables us to deploy new highly efficient machines in alignment with our energization capacity, ensuring immediate productivity and eliminating idle assets.

With these units secured and financing in place, we are advancing greenfield development and facility expansion across 5 sites in 4 states, positioning us to achieve 50 exahash in the first half of 2025. Our option contract also provides the flexibility to scale beyond 60 exahash at a cost of $21.50 per terahash, which is significantly below the spot market where prices are currently more than 37% higher.

The infrastructure required to achieve the additional 10 exahash necessary for our midyear target is already sourced, including transformers, power distribution, low-voltage components and additional immersion cooling infrastructure, like those successfully deployed in Cheyenne, Wyoming and Jackson, Tennessee.

These projects underscore 2 key points. First, the proven performance of our most advanced S21 XT immersion units; and second, the operational efficiencies we continue to unlock with our cutting-edge mining environment. Construction is already underway in Tennessee, Wyoming and Georgia, and we will provide updates as additional megawatts and exahash come online. While M&A is not required to reach 50 exahash, we remain disciplined in evaluating strategic opportunities.

In a bull market, acquisitions often come at a premium and can be capital destructive. However, we continue to assess opportunities selectively, particularly those involving companies with strong power contracts but lower efficiency fleets. Other targets may include small-scale sites where owners face capital constraints in upgrading their fleets and lack access to next-generation hardware at competitive pricing.

For long-term expansion beyond 50 exahash, we may also explore greenfield projects with extended lead times that require substation construction, projects we can develop to CleanSpark's high standards. Additionally, as some operators pivot from mining to high-performance computing, we may see opportunities to acquire Bitcoin mining specific assets at attractive valuations.

In summary, we remain focused on disciplined growth, operational efficiency and strategic expansion, ensuring we maximize shareholder value as we scale towards 50 exahash and beyond. Over the years, we have refined our approach and proven that operating CleanSpark-owned miners in CleanSpark managed racks maintained by CleanSpark employees is the most efficient way to deliver on our commitment to operational excellence. This fully integrated model not only optimizes site performance, but also mitigates the counterparty risks that have challenged the industry, risks that were not always fully appreciated at the time.

Expanding on that theme, I want to address another model that introduces similar counterparty risk, partnering with the artificial intelligence and broader high-performance computing sector. While some of our industry have pursued a speculative approach to HPC, repurposing a Bitcoin mining facility for high-performance computing is far more complex than it may appear. These deployments require extensive customization, integration and optimization, not just at the hardware level, but also across software and physical infrastructure to meet the increasingly sophisticated demands of AI and enterprise computing.

These challenges have a direct impact on both revenue generation and profitability. By contrast, Bitcoin mining remains an efficient, proven and scalable business model. We can bring a Bitcoin mining site online and start generating revenue within months, whereas a fully developed HPC site can take 2 to 5 years, not including the time and cost required to secure high-quality long-term customers.

At CleanSpark, we remain disciplined in our approach, focusing on high-return strategic opportunities that align with our core strengths. As we evaluate emerging technologies, we will continue to apply the same rigor and operational excellence that have defined our success in Bitcoin mining, ensuring that any expansion into adjacent markets is both measured and value accretive for our shareholders.

And now I want to take a few moments to address the significant shift in sentiment we are seeing in Washington, D.C. regarding Bitcoin. Over the past 4 years, we've built our business in the face of meaningful regulatory headwinds. While this presented challenges, it also strengthened our resilience, operational discipline and strategic focus, ultimately positioning us well for more constructive regulatory environment.

Since November election, that environment has begun to shift. President Trump has expressed consistent support for our industry, reinforcing his commitment through key policy positions and regulatory appointments. One of the most pivotal developments came on January 24 when the Securities and Exchange Commission repealed SAB 121, an accounting rule that discouraged banks from offering digital asset custody services.

This repeal marks a major turning point for Bitcoin regulation, clearing the path for major financial institutions to play a more active role in participating in the Bitcoin ecosystem and broadening access for institutional and Main Street investors alike.

In addition, we are encouraged by strong legislative leadership in Congress. Two of the most vocal advocates for our industry, [indiscernible] Wyoming and Senator Hagerty of Tennessee have been appointed to the Senate Financial Services Subcommittee on digital assets. Their deep understanding of our industry will be invaluable as lawmakers work to establish a more balanced, responsible regulatory framework for Bitcoin and digital assets.

Beyond regulation, energy policy will also play a critical role in shaping the industry's future. As Bitcoin mining and data center expansion drive new demand for electricity, energy markets are naturally experiencing upward pricing pressure. Given that electricity is the largest component of our direct costs, any policy initiative aimed at reducing energy prices will have far-reaching implications for our business.

President Trump's stated commitment to make the United States the global center of Bitcoin mining signals a potential shift towards more energy-friendly policies, an outcome that could enhance both industry growth and U.S. competitiveness at the global stage. We will continue to monitor these developments closely and remain engaged with policymakers to ensure that our industry has a seat at the table as these regulatory and energy policy decisions unfold.

On Monday, January 27, our management team, alongside employees, families and friends gathered at the NASDAQ market site in New York to ring the opening bell, marking the start of the trading day and celebrating a milestone of 5 years in the making. We were there to commemorate the fifth anniversary of our uplisting to NASDAQ, a moment made even more meaningful by sharing it with many of the people who have worked tirelessly and sacrificed to build CleanSpark into what it is today.

But the truth is a bit more complex. This celebration wasn't just about our 5-year milestone. It was also about resilience. When we uplisted 5 years ago, the COVID-19 pandemic put our opportunity to ring the bell on hold. Missing that moment with our team was a deep disappointment. But if there's one thing we've learned at CleanSpark, it's that setbacks are often just delay the victories in disguise.

As a student of philosophy, I draw inspiration from Marcus Aurelius in his writing and [indiscernible] of philosophy. As a management team, we've embraced many of these principles in leading CleanSpark and have worked to instill them as a core part of our culture.

One passage has always stood out. The impediment to action advances action. What stands in the way becomes the way. That mindset, grit, perseverance and the ability to turn obstacles into opportunities defines how we operate. It has shaped our approach to scaling CleanSpark into a reputable, scalable and durable Bitcoin mining business. So instead of dwelling on what we missed, we refocused and moved forward.

And standing on that NASDAQ podium 5 years later, it felt less like a delayed celebration and more like a culmination of everything we've worked towards. But it also represented a new beginning as we continue on this journey at scale. That feeling was reinforced as we spent time in New York meeting with investors for Capital Markets Day, where we shared our vision for the future and explain why the path to 50 exahash and beyond is wide open for CleanSpark.

Now before turning things over to Gary, I want to take a moment to recognize the exceptional team behind CleanSpark's success. As we outlined before, we set a target to reach 37 exahash by the end of the calendar year. Not only did our team deliver, they exceeded expectations, surpassing 39 exahash before the ball dropped in Times Square on New Year's Eve.

Standing on the NASDAQ podium, my thoughts turn towards our teammates working in Nevada, Wyoming, Tennessee, Georgia and Mississippi. Some of them may not have even had time to watch the ceremony because they were already working towards our next target, 50 exahash by midyear. So when I rang the bell, I rang it for them.

Bitcoin Mass Mining may not have traditional customers, but the great irony is that it may be one of the most people-centric businesses in the world. CleanSpark's success is built on the talent, dedication and relentless drive of our people. And as always has been, human capital remains our greatest asset. Now I'd like to turn the call over to Gary for a more detailed review of our financial results and a look at our balance sheet. Gary?

Gary A. Vecchiarelli
Chief Financial Officer

Thank you, Zach. As Zach mentioned, our first fiscal quarter was spectacular for CleanSpark. Let's dive directly into the numbers, which I'm excited to share with you. Our revenues for the quarter were $162.3 million, an increase of $88.5 million or 120% over the same quarter last year. This increase was primarily driven by an overall increase in average Bitcoin price. Importance, year-over-year, we produced only 4% less Bitcoin compared to the same quarter last year despite block rewards being cut in half this past May.

We are almost at the same number of Bitcoin produced as pre-halving due to our increasing exahash and increased fleet efficiency from our best-in-class miners. It is also important to note that our average revenue recognized per Bitcoin produced in Q1 was almost $84,000, which is an increase of 130% over the same quarter last year.

When compared to the immediately preceding fourth quarter, our revenues increased 82% due to the increase in Bitcoin prices and our Bitcoin production. For comparison, we produced 480 or 33% more Bitcoin in the first quarter than the fourth quarter, and the average revenue per Bitcoin at our wholly owned sites increased 38% between the periods.

CleanSpark has industry-leading uptimes typically in excess of 98%. However, this past quarter, we saw a slight temporary decrease in our uptime to 94%. This was driven by several factors. Foremost, the quarter started with limited exahash online because of a hurricane. Second, we moved approximately 80,000 miners as a result of our fleet upgrades and wrapping at new locations.

However, I want to point out that while we saw a slight dip in 1 of 5 key industry metrics, there is an inverse relationship as we saw significant gains in efficiency and Bitcoin produced as well as reduced cost per coin. This upgrade resulted in significant ROI as our fleet efficiency dropped from 21.94 joules per terahash to 17.59 joules per terahash or 20% between Q4 and Q1 alone. And as I mentioned earlier, our Bitcoin production rose 33% between periods.

Looking at our margins, our gross profit increased by $47.1 million year-over-year with a profit margin of 57% for this quarter. When compared to the immediately preceding fourth quarter, our gross margins increased $59.9 million or 186% during the period.

While you have heard us mention several times that our fleet efficiency continues to increase, the power of scale is demonstrated here through our margins. For example, our cost to mine a Bitcoin was $36,250 in the fourth quarter. However, in the first quarter, we saw that cost per Bitcoin decrease to approximately $34,000, which represents a quarter-over-quarter favorable improvement of about 6%.

Our strategy to maintain one of the most efficient fleets in the world, combined with best-in-class uptime in operations is translating to significant margins and all while the global difficulty has increased during the same timeframe.

This quarter, we recognized net income of $246.8 million, which is a significant improvement from prior periods. This increase was primarily driven by the growth in the fair value of our Bitcoin and the gain related to Bitcoin returns as a result of our paydown of the coin-based line of credit. This continued with $321.6 million of adjusted EBITDA for the quarter.

As we look over the numbers, I want to provide some additional color. Our cost of power for the first quarter was $0.049 a kilowatt hour. This is higher than our cost for power of $0.044 in the same quarter last year and slightly higher than our fourth quarter cost of $0.048. While our cost of power per kilowatt hour in this quarter is running higher than the prior period, our margins are far exceeding this increase, thanks to the efficiency of our fleet and on-site operations.

Additionally, with Bitcoin mining economics better than prior periods, we have more headroom and capability. This allows us to run our fleet through periods where the cost per kilowatt hour is elevated because we do not manage the business to a price per kilowatt hour, but rather to a margin and profitability on a per coin basis. This is why you hear us say we have reached a state velocity and always prioritize cash-on-cash returns.

With respect to our indirect costs, in the first quarter, our total professional fees, payroll and G&A expenses totaled approximately $34.8 million. This is a decrease of $5.8 million or 14% compared to the preceding fourth quarter. This decrease was attributed to lower professional fees of approximately $1.8 million, primarily due to the transactional fees we had in Q4 related to M&A activities.

Additionally, payroll expenses decreased 16% or $3.9 million quarter-over-quarter due to year-end bonuses recognized in the fourth quarter. Lastly, our G&A expenses saw a slight decline of about 1%. While professional fees may fluctuate with activity related to M&A and financing transactions, I'd expect indirect expenses otherwise to be relatively flat or increase only a nominal amount for the remainder of the fiscal year.

With the combination of the increased margins and relatively flat indirect expenses, this is an example of how CleanSpark is delivering operating leverage at scale.

Next, I want to talk about the balance sheet, liquidity position and our larger overall capital strategy. We believe our balance sheet is one of the best in the business. We have almost $2.8 billion of total assets, almost half of which is liquid in the form of cash and Bitcoin.

As you are aware, we issued a $650 million convertible note transaction, which we closed on December 17. The industry's only 0% coupon, 100% up with stock buyback. With the net proceeds, we purchased a half call, which made the effective conversion premium 100% or $24.66 a share, and we bought back approximately 11.8 million shares of our stock. The stock purchase is reflected as treasury stock and our total outstanding shares have decreased as a result.

Additionally, we used $50 million of the proceeds to pay off the line of credit of Coinbase, and that capacity remains available for us to use at our discretion. We are proud to have closed this offering, which more than fully funds our growth through 50 exahash and beyond. In addition to funding the growth to 50 exahash, share buyback and capped call, the remaining proceeds will allow us to keep adding the Bitcoin we mine to our balance sheet for the near term.

Beyond our expansion efforts already underway, we remain well positioned to continue executing on opportunistic acquisitions. Importantly, this offering provides our stockholders with greater clarity on near-term share count given our ATM offering was completed in early November, and we have no immediate plans to commence another equity or ATM offering as the capital received from the convertible notes sufficiently covers our near-term strategic objectives.

As of the close of the quarter, we had over $1.2 billion of liquidity, which includes approximately $276.6 million cash and almost 10,000 Bitcoin. You may have heard us speak about our conservative approach to debt on our prior calls. I expect that we will continue to be cautious in further leveraging our balance sheet as we will evaluate our balance sheet health on a net debt basis to ensure we have proper liquidity to operate the business and service near-term debt at all times.

We continue to have discussions regarding non-dilutive or less dilutive options, which is reflective of the maturity of our capital strategy as we build out our capital stack and utilize our very profitable operations and clean balance sheet for accretive growth opportunities.

Turning to our Bitcoin treasury. It's important to note that it represents the fourth largest position amongst public corporations in the world, trailing only a handful of competitors and larger than the holdings of major corporations such as Tesla, Coinbase and Block.

In contrast to many of our peers, our Bitcoin HODL was mined exclusively in the U.S. by CleanSpark at a significant discount to the spot market price on the back of our best-in-class operations. Our net debt approach to the balance sheet gives us far more flexibility when it comes to cash management and funding future growth.

As impressive as our Bitcoin stack may be, we want to put it to work productively to help fund the business. We are actively building an institutional-grade Bitcoin treasury team and strategy with the goal of preserving capital, opportunistically managing cash and driving a lower cost of growth capital in non-dilutive ways. Because of Bitcoin's unique place as an emerging global financial asset, we can adopt best practices in treasury management from traditional finance while harvesting volatility for our benefit.

We are currently engaged with high-quality third parties to evaluate a holistic approach and utilizing our treasury to meet business needs, and we expect to go live shortly while ramping up activity over the ensuing quarters.

As we mentioned earlier in the call, we want to invest in ourselves and the business. After all, why buy Bitcoin at $100,000 when you can mine it as low as $34,000. With that, I'll turn the call back over to Barbara to open the floor for questions.

Barbara Domingo
Thank you, Gary, for that very detailed financial overview. We'll now open the floor to questions from the analyst community. Krista, please provide instructions and manage the queue for Q&A session.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Mike Colonnese with H.C. Wainwright.

Michael Anthony Colonnese
H.C. Wainwright & Co, LLC, Research Division

Congrats On a really strong quarter here. Gary, you alluded to some of this on your prepared remarks, but just curious if you could provide a bit more color here. So you guys have built out a nice reserve of Bitcoin over the past year, now have over 10,000 Bitcoin on the balance sheet. Any further details you can share in terms of what your Bitcoin treasury management team is strategizing to put those to work, be it the counterparties, current market yields you're seeing? And what portion of the treasury you'd be willing to dedicate to yield generation strategies?

Gary A. Vecchiarelli
Chief Financial Officer

Yes. Thanks for the question, Mike. So we are in the process right now of gathering RFPs, request for proposals to evaluate counterparties and look at the various options. I don't want to commit to a strategy. In fact, I'll refer you to what we said last call where it's going to be a crawl, walk, run type strategy. And ultimately, we have a number of options available at our fingertips. So we'll see how those RFPs come back and really what the transaction opportunities look like.

But ultimately, I don't think in the near future, we're going to leverage 100% of the balance or put 100% of the work. We're just going to slowly kind of leak into it, and we'll have more to report on in future quarters.

Michael Anthony Colonnese
H.C. Wainwright & Co, LLC, Research Division

Fair enough. And Zach, maybe for you, this one here. How should we think about the cadence of hashrate growth from the 40 exahash deployed today to your midyear target of 50 exahash? I know you guys are working on a number of projects across the portfolio. So it would be great to get a better sense as to when you expect those projects to [indiscernible].

Zachary K. Bradford
CEO, President & Director

Yes. I appreciate it. And thanks for always joining the call, Mike. It should be a pretty even cadence over the next 6 months as we roll things out. So I don't think it will be that chunky. It will just kind of be a little bit added every single month as we move along through the period.

So as we mentioned, the majority of this -- well, all of it is happening essentially in our backyard. And so these are projects at existing sites for the most part with a few greenfield sites added on that we're basically rolling into things. So again, this is going to be a very natural cadence for us just to add that remaining 10 exahash over the next couple of months.

Operator

Your next question comes from the line of Brian Dobson with Clear Street.

Brian H. Dobson
Clear Street LLC

So you alluded to your capital allocation strategy, which is sown through your -- call it, the fruits of which are sown through your relentless sequential improvements. But do you think you could speak a little bit to your management philosophy that drives that improvement and separates you from your peers?

Zachary K. Bradford
CEO, President & Director

Yes. Brian, thanks for joining us. I'll jump in on that one. So we look at the intersection points of so many things that ultimately results in the profitability of mining Bitcoin. And living at the right point of that crossroads is ultimately how we look at it, we don't feel the need to pursue a number to pursue a number. And I think that, that's a differentiator in our management team.

We haven't held one thing out and say it's the most important because we actually believe that the intersection points are the most important part. So as we pursue these KPIs and ultimately, how we see is critical, we think our secret sauce is really the grit, perseverance dedication of our people. And I think that as we go through that, it's about instilling the same values that we've had since really the founding of the company is we're ready to work hard, all of us top the bottom. And I think that, that shows through ultimately in the results.

Brian H. Dobson
Clear Street LLC

Yes. And then do you have any comments on the potential for in-kind exchange in terms of driving yield on the model?

Gary A. Vecchiarelli
Chief Financial Officer

Yes. So look, I think that the application of our cloud to the ETFs are really positive thing overall for Bitcoin and it will be interesting to see how that really affects it all. But for us, we're really just focused on managing our balance. We are looking at potentially using the ETFs as part of that treasury management and the derivatives that are around those products as well. But I think it really remains to be seen how it's going to impact us directly other than just the general adoption of Bitcoin overall.

Operator

Your next question comes from the line of Brett Knoblauch with Cantor Fitzgerald.

Brett Anthony Knoblauch
Cantor Fitzgerald & Co., Research Division

Congrats on the quarter. Maybe just looking and I know you guys have a lot on your plate for 2025, but kind of looking beyond 2025, I guess what type of power capacity do you have in your pipeline? And maybe in which states would you look to expand? Is it maybe within [indiscernible] where I know you guys are very positive on?

Zachary K. Bradford
CEO, President & Director

Yes. So there's the ability to expand in really all the regions that we're operating in. I do expect that you're going to see the majority of the growth happen in the both of Tennessee and Wyoming areas because those are the areas that, frankly, have the most blue sky to them. We've been expanding for a long time in Georgia and that region. And so I think that that's where you should expect to see the majority of it.

Frankly, we're incredibly excited about those utilities. And frankly, also their willingness to lean in and understand the value of interruptible loads in the utility. So that willingness to continue to educate themselves, but also both those regions are ready and willing to adopt energy tariffs that benefit Bitcoin mining due to the interruptibility of those loads. So that's likely to be our focus in the coming year.

Brett Anthony Knoblauch
Cantor Fitzgerald & Co., Research Division

Appreciate it. And maybe just one follow-up. I think if I look at kind of like your OpEx for this quarter, professional fees, payroll, G&A all declined. And I think your hashrate improved somewhere around 40%

quarter-over-quarter. Can you just maybe talk about the strategy you guys deploy in managing OpEx while delivering such strong growth? And I guess, how sustainable is that? And is there any incremental OpEx needed to drive you guys to 50 to 63 and beyond?

Gary A. Vecchiarelli
Chief Financial Officer

Yes. Thanks for the follow-up, Brett. I think ultimately, we just built this foundation -- this foundation of just indirect expenses, right? And we just have a very strict budgeting process. We watch every dollar that goes out. And really, where we're investing is on the operational side.

And given the fact that our cost of CapEx is one of the lowest in the industry, I mean I'll remind you that we have contracts out there for $21.50 a terahash right now, which is at least 30% lower than what the fair value of those machines are. Having that focus really on operations really allows us to have every exahash that comes online, almost drop to the bottom line because we don't need that incremental corporate overhead to support $1 of additional revenue.

So that's why I feel comfortable -- the indirect being relatively flat for the remainder of the year and really the only wildcard is in the professional fees, and that depends on the activity of the M&A landscape.

Zachary K. Bradford
CEO, President & Director

And Brett, I'm going to add one more thing because I think it's part of our management strategy is in how we think big about what we do. We have a portfolio of properties. But in building a portfolio, we had to solve unique problems that we prepared for. And basically, we built on our ability to expand early on. So we're leveraging technologies such as remote management and other things that are the same types of technologies that large hyperscale data centers are utilizing to keep their headcount down and reasonable. And so we do that across the entirety of what we do, whether it's on our overhead side, whether it's on the operational side.

We've always been in an expansion state, but we wanted to plan that expansion for the future. So it's really built -- feel that we have built a scalable business at the current size on the operations, but it's because of the thought process that occurred 2 and 3 years ago.

Operator

Your next question comes from the line of Tyler DiMatteo with BTIG.

Tyler DiMatteo
BTIG, LLC, Research Division

Zach, I'm curious, you guys have done a really nice job kind of growing exahash over time, getting to the 40 exahash mark. But as you think about going to 50 exahash and then ultimately to 60 if you exercise the option, does going from, say, 40 to 50 and 50 to say, 60, is the implementation different? Or how could it be different given that you now have a bigger scale and you look to put those rigs to use?

I'm curious just maybe how you think about the actual execution and implementation of that now that you have 40 exahash online.

Zachary K. Bradford
CEO, President & Director

Yes. I'm going to point to a phrase we have continued to use and that's repeatability. So everything we've done is to basically build a blueprint that can be stamped out on a repeat basis. And our goal, just like all things done at scale is as the process becomes more and more repeatable that we find every opportunity to drive costs down while increasing quality. And so that's been our goal.

We're incredibly excited, and we've mentioned this multiple times in the last few earnings calls about the technology that we're deploying on the immersion cooling side. We are seeing immense operational efficiencies and a lot of operational leverage around the way that we are deploying them. And we see it

as the right blueprint to stand up. So as we march from 40 to 50 to beyond, we see ourselves using a successful and proven blueprint that we're able to restand on a repeat basis.

Gary A. Vecchiarelli
Chief Financial Officer

Yes. I just want to add to that as well. I mean we have a track record of growing exahash, right? A year ago, the last January 2024, we were just a little over 10 exahash. And as we sit today, we're 40. So we have that proven excellence to be able to execute on this, and we're very confident we'll be able to get there.

Tyler DiMatteo
BTIG, LLC, Research Division

Okay. Great. And then my follow-up here, realizing that you have the fixed price option at the $2,150 for the next level of growth in rigs. I'm curious, how would you describe kind of the rig market dynamics? I know you pointed to, I think it was 37% higher potentially for some of the rig pricing. I guess just broadly that, how would you describe some of those dynamics? And really, what are you seeing as you kind of look to keep an open mind in terms of the growth profile of the business?

Zachary K. Bradford
CEO, President & Director

Yes. I think that -- as we see it, it's all about relationships. We've got deep vendor relationships, not just with a single vendor, but across multiple parties that we believe will allow us to always maintain the competitive pricing. As Gary talked about track record just a moment ago, but our track record is to, on a repeat basis, set the floor price of the rigs as new units come out.

But it's also to not jump just because something comes out, which you saw in our activities 2 or 3 years ago when rig prices weren't where we thought they should be. So the benefit of the scale we have and frankly, how far ahead we've gotten for the majority of this industry on an exahash basis means that we have the opportunity that time presents where we can be selective about our timing.

I think it's one of the things that we've done amongst the best in the entire industry is not trying to dollar cost average into our equipment, but instead is to relentlessly drive to the low-cost, high-quality model. And we just intend to do it again. So regardless of where the market shifts and moves to, we've got beyond 63, our price certainty is already there. Everything beyond that is somewhat speculative other than we would just look to continue to leverage our relationships to always be best-in-class.

Operator

[Operator Instructions] Your next question comes from the line of Stephen Glagola with Jones Trading.

Stephen William Glagola
JonesTrading Institutional Services, LLC, Research Division

Zach, Gary, You highlighted the benefits of increasing scale to your margins long term in your prepared remarks. And as you approach 50 exahash, is there a point where you think increasing scale becomes less of a focus for the business versus looking to maybe increase the free cash flow generation and productivity of the assets you currently have and also potentially returning capital back to shareholders?

Zachary K. Bradford
CEO, President & Director

Yes. I think that I'm going to use the phrase again on having achieved this escape velocity. That's where we are at right now in the business is for every exahash we add, it does produce free cash flow. It does flow to the bottom line, it ultimately does benefit the shareholders. I would -- to make a comparison, if you look at most of the industry, based on our math, there's less than 5 companies that even have the opportunity to achieve the same scale, which will ultimately result in positive cash flows. The balance have a lot to do to catch up.

So again, I'm going to point back to what I said earlier, we're time. There's going to be time to push the gas pedal all the way down, there's going to be a time to let the car coast. And frankly, it's likely going to be driven by input costs, input cost of materials, whether that's the servers, whether it's the infrastructure. And rather than speculate about timing right now, it's about how well are we positioned to react to market dynamics. And I would say we're positioned amongst the very best.

And so -- and I think that comes in multiple forms. Again, I'm going to point to vendor relationships, the cost certainty that we've already locked into place, but also the fact that we don't have to push to catch up because there's a point that we've arrived at where the cash flows are already flowing in a way that's benefiting the shareholders, but also allows us to continue to grow through those cash flows. I'm going to turn to Gary to see if he has anything to add on that.

Gary A. Vecchiarelli
Chief Financial Officer

Yes. I would just reiterate comments on optionality, right? That's how we built the business. And I think that we would love to look to return capital to shareholders. But most importantly, we got to shore up the balance sheet, which, again, is extremely healthy, right? And as we increase our cash flows, it's just going to provide us more optionality as to whether we reinvest in the business because the ROI is greater there or if that means that we need to return capital to shareholders through a stock buyback or some other means, and that's the best use of capital.

We've said that it's probably been a while since we talked about it on a call, but we absolutely would put that. But again, we can't do that unless we have significant margins and a healthy balance sheet. And I'll tell you that, that's why these fleet upgrades are so important because the efficiency increased favorably by 20% between the 2 quarters. And our total cost or our cost to mine -- direct cost to mine for Bitcoin dropped by $2,000 of Bitcoin, which only adds to our cash flow. So it's those types of investments that we think are not only going to in the short term, but long term.

And again, ultimately, once we have that fortified balance sheet and we've taken advantage of as many opportunities -- [indiscernible] opportunities we can, we'll look to find other ways to return capital to shareholders.

And the last point, we bought back almost 12 million shares as part of the convert. And a big reason for doing that was to really invest in ourselves because we have this clear path to 50 and even beyond. And we feel good about where we're going. So we're really setting ourselves at this point. We think that's going to translate to shareholder returns.

Operator

Your next question comes from the line of Bill Papanastasiou with KBW.

Bill Papanastasiou
Keefe, Bruyette, & Woods, Inc., Research Division

Congrats on the quarter. For my question, I was just hoping you could add some color on how you're weighing the growth strategy beyond 50 exahash? The quarter clearly demonstrated an attractive operating profile. And where you guys stand today at 40 exahash, you're not very far from being the leader in the space in terms of scale.

So how important is it in the road ahead to scale just given that all your peers are moving to AI HPC? It seems like it could be a low-hanging fruit opportunity for investors that are looking for a high beta play on Bitcoin.

Zachary K. Bradford
CEO, President & Director

Yes. I appreciate you joining the call. Good question. We love when we hear someone pivoting to HPC because it means local difficulty goes down. And so as we continue to scale in that environment, it just means the piece of the pie that we're getting daily Bitcoin rewards, which again, are scarcer every 4 years. So now is the best time to acquire. It means our piece of the pie gets bigger.

So yes, continuing to scale is important, but it's not an end all, be all, right? Again, we don't grow to grow, we grow because it's strategic to do so, and it means that we have more to gain. Again, at the point we're at, every exahash we add is dropping Bitcoin or dollars to the bottom line. And so as long as that continues to prove, we will continue to grow responsibly in the ways we do.

Operator

Your final question comes from Greg Lewis with BTIG.

Gregory Robert Lewis
BTIG, LLC, Research Division

I apologize if this has been asked. I've been having some issues this afternoon. Zach, you touched on it on the Capital Markets Day really around your ability to create partnerships in the community. And just as we think about what's happened over the last couple of years in companies like CleanSpark really building and helping communities across Georgia and beyond and the success that we've seen with other miners in Texas at ERCOT.

Has there been any shift or maybe not that there's inquiries now for CleanSpark delivering Bitcoin mining solutions in some of these rural areas that you're looking to target? But as the tenor from potential small utilities or customers or municipalities? How has that kind of shifted? And as you look out over the next 12 months, I have to believe with the current administration, that's a huge tailwind as you look to kind of continue to expand your infrastructure footprint, kind of talk a little to that?

Zachary K. Bradford
CEO, President & Director

Yes. We've shifted into an environment where instead of people being worried about the Bitcoin miner that's going to come to town, we get inbound inquiries where cities now understand the economic benefit that we can bring, whether that's through the tax base or whether it's through an employee base. There's different parts of the country that are frankly looking for different things in that.

So -- and what I will say and specifically commenting on small utilities, that's where also we're seeing a lot of benefit because these small utilities, they made 50- and 100-year long investments over the past several decades. And when they have idle assets that are no longer producing revenue, they start to lack the ability to continue to upgrade their equipment. And so we can be the answer to that.

We can come in, we can use idle assets in communities where the freeway didn't go through and everything went around, we can make a real impact in rural America. So I would say that when our name goes into these communities, and I think I'm proud that it is our name going in, we're getting welcome with open arms because these communities are ready to reap the benefits of what Bitcoin mining really can bring to rural America.

It's one of the things we're incredibly proud of and partnering with utilities is a big part in the education. Having a large load can be scary to a utility, but their willingness to listen and understand the interruptibility of that so they can continue to serve all their citizens while driving down their costs and increasing their revenue is the key message we're driving forward. So I'm incredibly happy and optimistic about what I expect to see really in the heartland of the U.S. as we continue to grow.

Operator

We have no further questions in our queue at this time. Barbara, I'll turn the call back over to you.

Barbara Domingo

Thanks again to everybody for joining today's earnings call, and we look forward to staying in touch with you and sharing future results with you in the coming quarters, take you for more achievement from CleanSpark America's Bitcoin miner.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, and you may now disconnect.