HUT 8

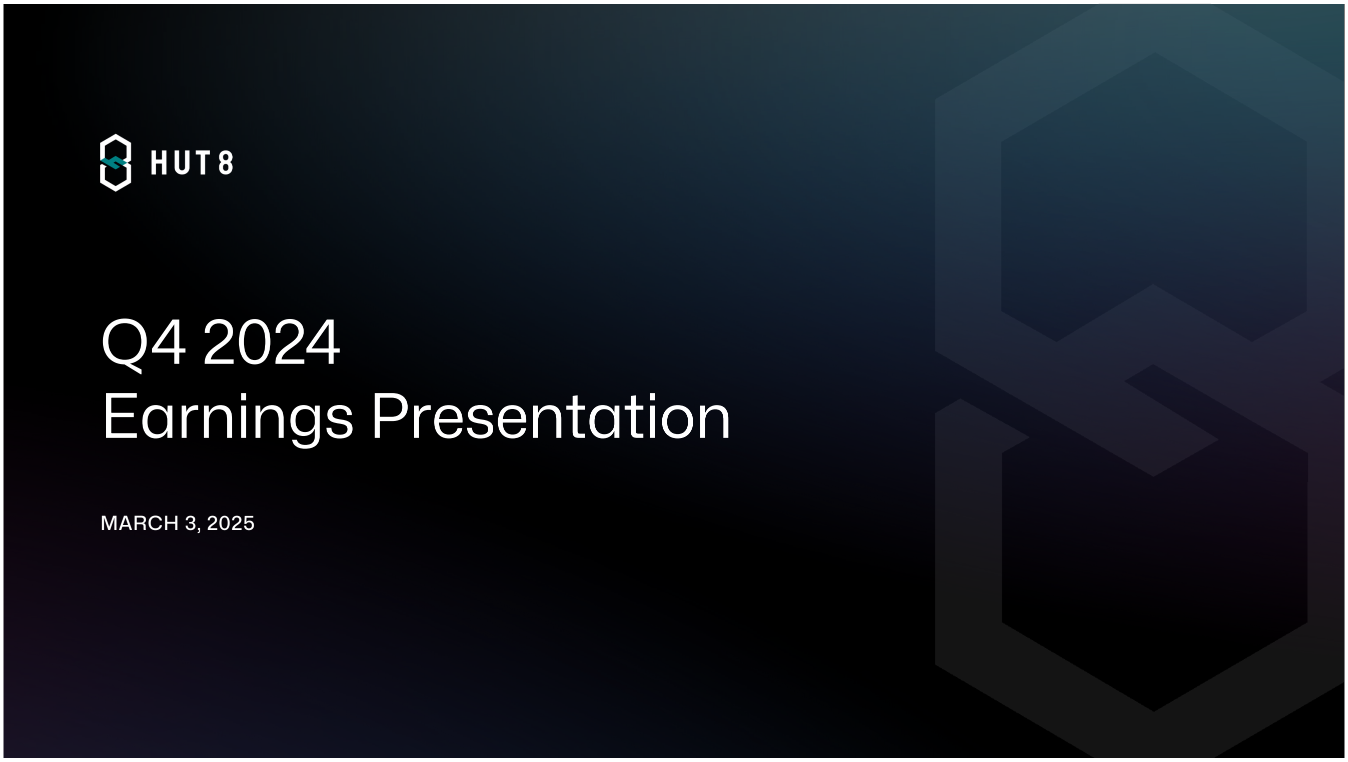
Q4 2024 Earnings Conference Call

March 3, 2025

Hut 8 Speakers

Asher Genoot
Chief Executive Officer

Sean Glennan
Chief Financial Officer



Download the full Q4 2024 Earnings Presentation here.

Operator

Good morning, and welcome to Hut 8's Full Year 2024 Financial Results Conference call. After today's presentation, there will be an opportunity to ask questions. Please note that this event is being recorded and a transcript will be available on Hut 8's website. In addition to the press release issued earlier today, you can find Hut 8's annual report on Form 10-K on the company's website at www.hut8.com, under the company's EDGAR profile at www.sec.com, and under the company's SEDAR+ profile at www.sedarplus.ca.

Unless noted otherwise, all numbers referred to during the call are denominated in US dollars. Comments made during this call may include forward-looking statements within the meaning of applicable security laws regarding Hut 8 Corp. and its subsidiaries. The statements may reflect current expectations and as such are subject to a variety of risks and uncertainties that could cause actual results to differ materially from current expectations. These risks and uncertainties include but are not limited to factors discussed in Hut 8's Form 10-K for the twelve months ended December 31, 2024, as well as the company's other continuous disclosure documents. Except as required by applicable law, Hut 8 undertakes no obligation to update or review any forward-looking statements.

During the call, management may also make references to certain non-GAAP measures that are not separately defined under GAAP, such as adjusted EBITDA. Management believes that non-GAAP measures taken in conjunction with GAAP financial measures provide useful information for both management and investors. Reconciliations between GAAP and non-GAAP results are presented in the tables accompanying the press release, which can be viewed on Hut 8's website. I would now like to turn the call over to Asher Genoot, CEO of Hut 8.

Asher Genoot, Chief Executive Officer

Good morning, everyone, and thank you for joining us today.

Just over a year ago, when I stepped into the role of CEO, I made a commitment—to our board, our shareholders, and our team—to set Hut 8 on a new trajectory. Today, I'll discuss how we delivered on that commitment in 2024 through a comprehensive transformation that we believe has positioned our business for profitable growth and long-term value creation.

A transformation of this scale does not happen overnight, nor does it happen without deliberate design. Executing on our commitment required a clear vision, rigorous planning, and the conviction to make tough but necessary decisions. Guided by these principles, we focused relentlessly on execution and built the foundation for what we intend to grow into an enduring, generational business at the intersection of energy and technology.

Before I discuss the key objectives that drove this transformation and the impact it has had on our business, I want to take a step back to something more fundamental—an idea about who we are and what we are building.

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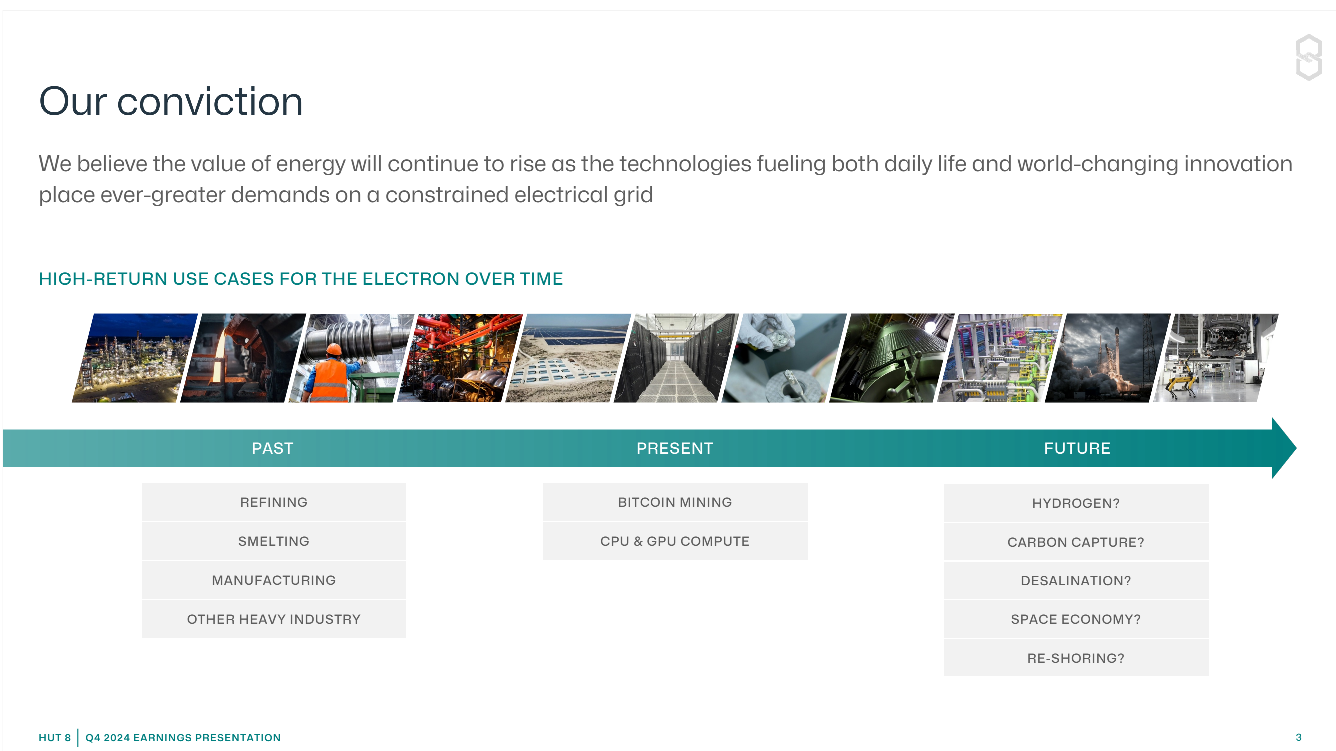

At the heart of everything we do is a simple conviction:

We believe the value of energy will continue to rise as the technologies fueling both daily life and world-changing innovation place ever-greater demands on a constrained electrical grid.

Over the past year, this dynamic has accelerated as AI catalyzed a surge in demand for power in the digital infrastructure sector. Our ambition is to build a platform that can meet this demand at scale across energy-intensive technologies for decades to come.

But conviction alone is not enough.

If the past year has reinforced anything, it is that execution is the bridge between conviction and reality. And execution requires people—a team with the discipline and grit required to make tough decisions, navigate volatile markets, and turn strategy into results. It also requires the trust and conviction of shareholders, analysts, and partners who believe in what we are building and stand with us in making it a reality.

So, before we turn to the year behind us, I want to recognize the people who have made our progress possible.

Some of you have been with us since the very beginning, when we first set out to pioneer a power-first approach to digital infrastructure development. Others have joined us more recently, recognizing the scale of the opportunity ahead. Regardless of when you came on board, we're grateful for your trust and conviction.

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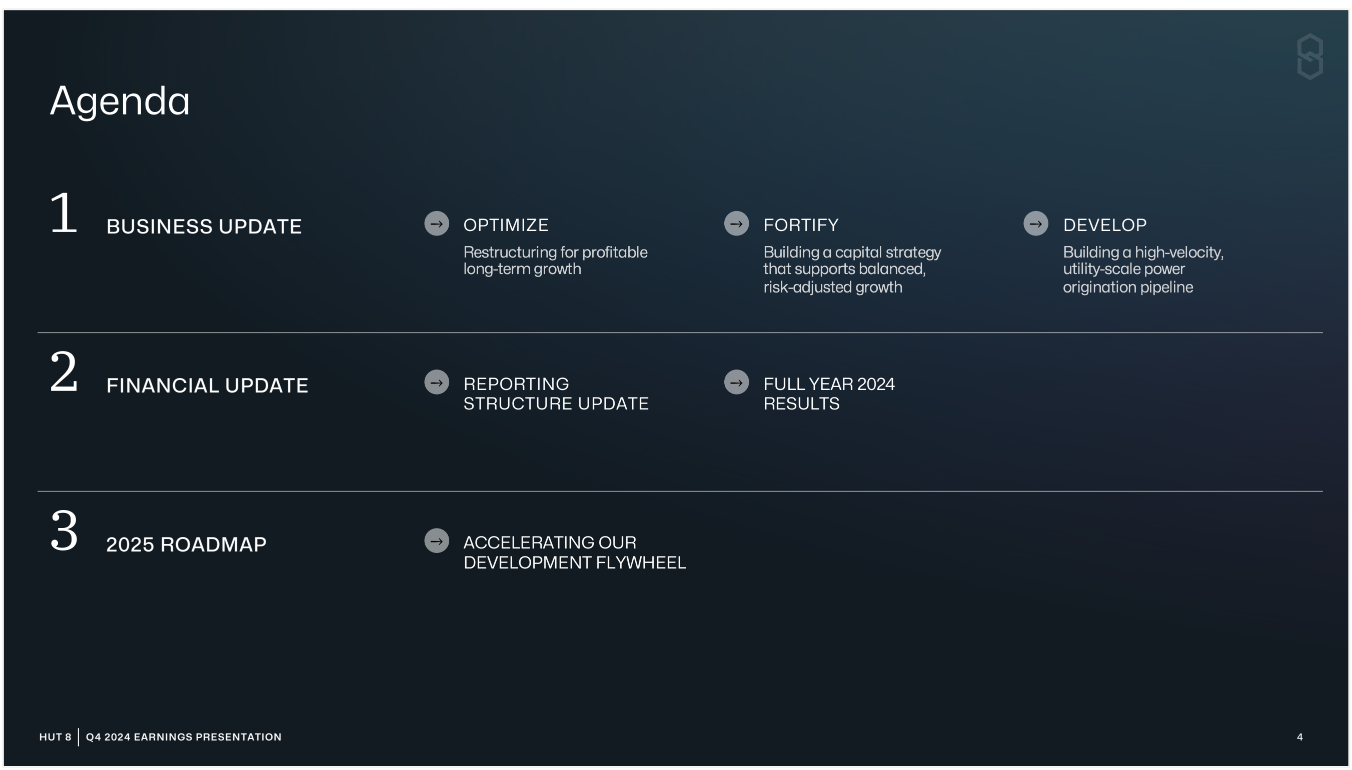

Today, I'll discuss how we delivered on our commitment to set Hut 8 on a new trajectory in 2024. Then, Sean will review our financial results and explain how we've refined our reporting structure to better reflect how we operate today and where we're heading next. Finally, I'll outline how we are building on the foundation in 2025.

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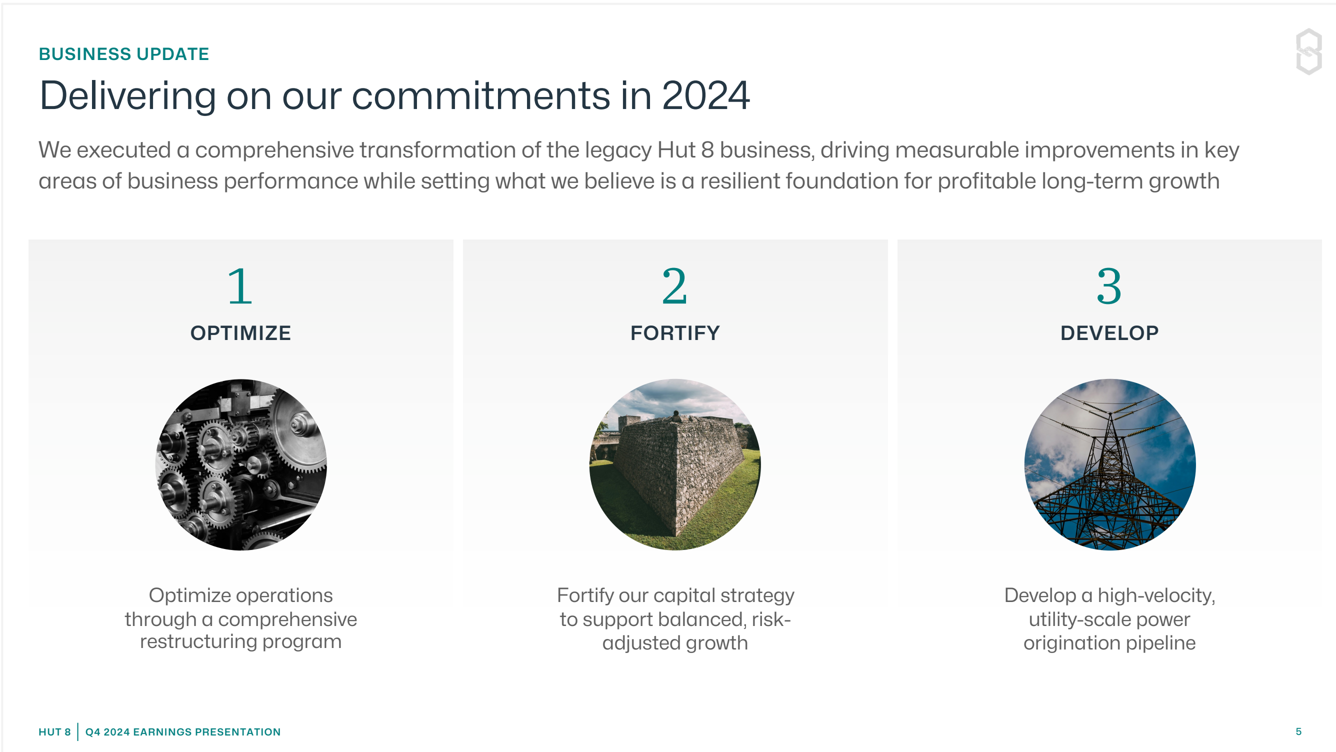

Over the past year, we executed a comprehensive transformation of the legacy Hut 8 business, driving measurable improvements in key areas of business performance while setting what we believe is a resilient foundation for profitable long-term growth.

This transformation was driven by three objectives:

- First, optimizing operations through a comprehensive restructuring program.
- Second, fortifying our capital strategy to support balanced, risk-adjusted growth.
- And third, developing a high-velocity, utility-scale power origination pipeline.

Let's discuss each in turn.

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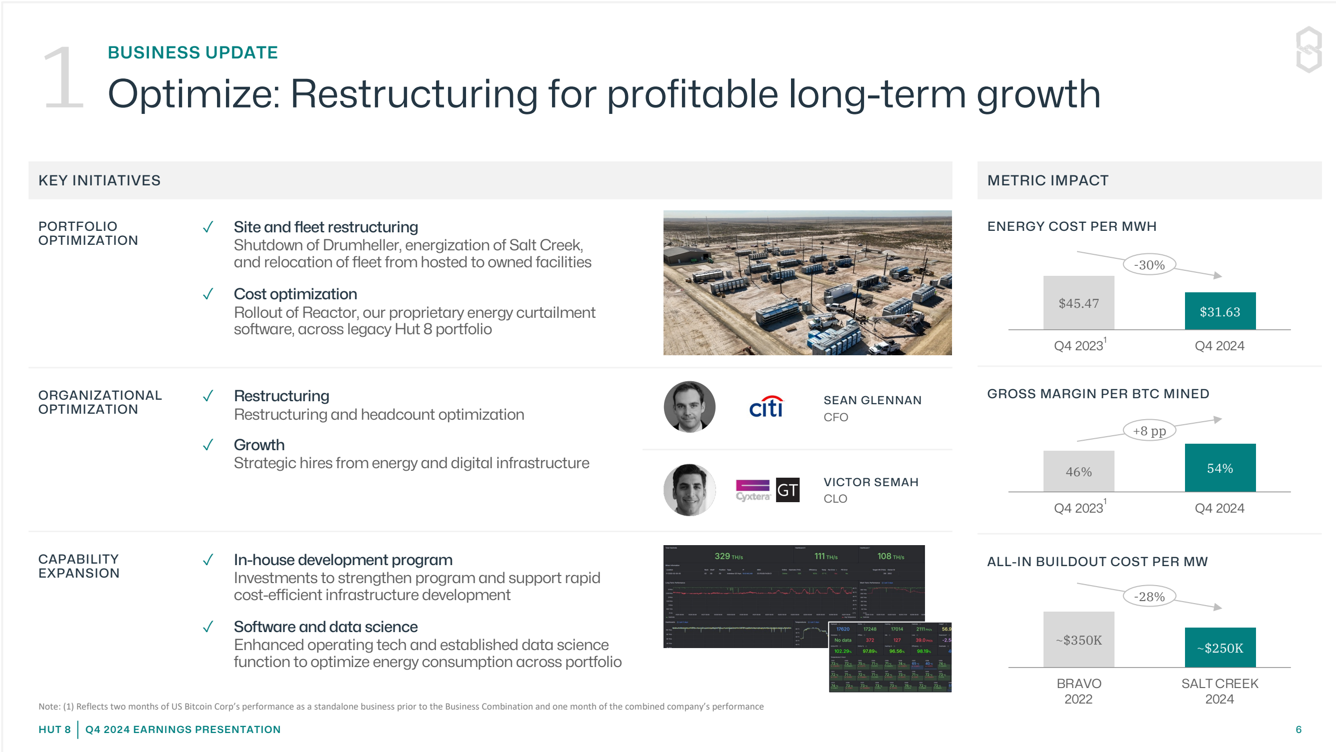

Optimization was the foundation of our transformation.

We use the term *optimize* deliberately. Our restructuring program was driven by calculated tradeoffs designed to drive sustained profitability while setting a foundation for growth rather than indiscriminate cost-cutting. Data-driven analysis informed the shutdown of our underperforming Drumheller site, the energization of our new Salt Creek site, the relocation of our fleet from hosted to owned facilities, and the rollout of our proprietary energy curtailment software, Reactor, across the legacy Hut 8 portfolio acquired in the business combination.

These initiatives delivered measurable impact, including a 30% reduction in our average energy cost per megawatt-hour from Q4 2023 to Q4 2024. They supported an approximately eight-point increase in gross margin per Bitcoin mined over that same period. And, earlier in 2024, our continued focus on value engineering enabled us to complete our latest Salt Creek project at an all-in cost of approximately $250,000 per megawatt—approximately $100,000 per megawatt less than our first greenfield development site in ERCOT.

Beyond metric impact, we institutionalized decision-making rigor and operational discipline at every level of our organization.

We restructured our team, optimized headcount, and recruited veteran leaders from the energy and digital infrastructure sectors. In parallel, we expanded our in-house development program, enhanced our proprietary operating technology, and established a data science function to optimize energy consumption across our portfolio. We believe these investments have extended our competitive advantage in rapid, cost-efficient infrastructure development.

Yet optimization is not static. The optimal solution will evolve as decision variables shift. So, while we believe we have built a solid foundation, we are committed to driving value through continuous improvement in the years to come.

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Our second objective was to fortify our capital strategy.

A well-designed capital structure should not only provide resilience against market volatility but also enable agile, flexible growth. In a capital-intensive business like digital infrastructure development, these are critical advantages. To reinforce these advantages, we executed an integrated capital strategy focused on risk reduction, market access, liquidity expansion, proactive treasury management, and institutional alignment.

Strategic deleveraging was central to our approach. We converted the $37.9 million balance of our Anchorage Digital loan to equity and unencumbered 827 Bitcoin initially pledged under our Coinbase loan. Thoughtfully structured debt continues to serve as a valuable tool to fuel our growth. This includes our existing project-level financing at the TZRC joint venture, which is ringfenced at the subsidiary level with no recourse to the parent entity and our Coinbase loan, which was amended this year to—among other things—remove the parent guarantee. In addition, in 2024 we entered into a strategic partnership with Coatue, whose convertible note investment reflects their conviction in our long-term value creation potential.

Expanding market access and deepening liquidity were equally critical. Together with our inclusion in the Russell 3000, shelf-eligibility broadened our investor base and created new capital pathways, enabling us to launch a $500 million ATM program which we announced alongside a $250 million stock repurchase program. Together, these programs support a robust capital formation toolkit that bolsters our ability to navigate the volatile markets in which we operate.

Further strengthening our capital position, we introduced a proactive treasury management framework designed to enhance capital efficiency and generate risk-adjusted returns that outperform idle cash. Under this framework, we expanded our strategic Bitcoin reserve with the purchase of 990 Bitcoin, growing our strategic Bitcoin reserve to more than 10,000 Bitcoin with a market value of approximately $950 million at year-end. Together with cash on hand, our liquidity position enables us to act decisively to capture compelling growth opportunities while instilling counterparty confidence in our ability to execute on large-scale development initiatives.

The strength of our capital structure is increasingly reflected in our shareholder base. Institutional ownership of Hut 8 increased from approximately 12% at the end of Q1 2024 to approximately 55% at year-end, a testament to our focus on long-term value creation. The institutionalization of our business was marked by key milestones like a strategic investment from Coatue and the conversion of our Anchorage loan to equity. Today, we continue to engage actively with strategic capital partners to strengthen our financial and competitive position.

In summary, we believe the integrated capital strategy we have implemented is now aligned with the scale of our ambition. Looking ahead, we will continue to focus on optimizing our capital structure, exploring non-dilutive sources of funding whenever possible. Our long-term aim is to drive down our cost of capital, minimize enterprise risk, and maximize shareholder value as we build our business.

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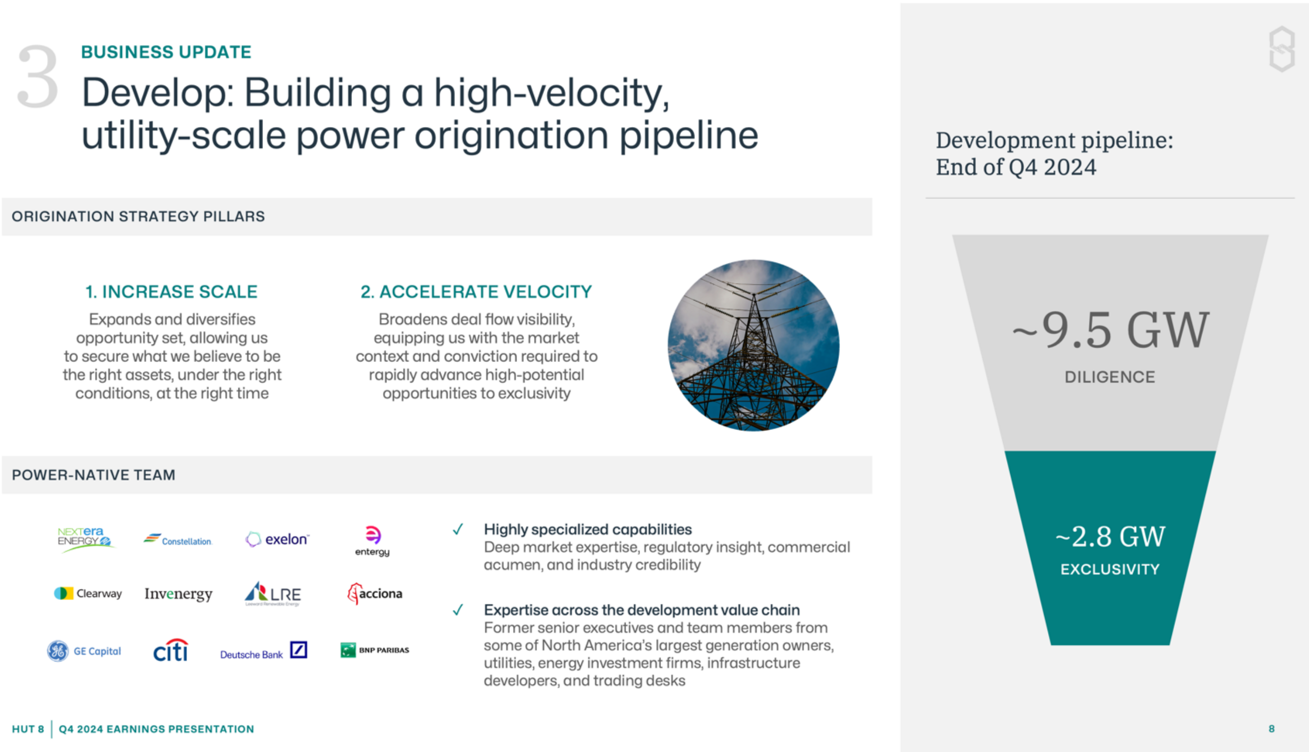

The final pillar of our transformation was building the engine of our power-first strategy: a high-velocity, utility-scale power origination pipeline.

In a supply-constrained market, access to power is a competitive advantage. Outsized value creation, however, requires a disciplined, strategic approach to site selection and portfolio construction. This level of rigor is only possible with a development pipeline of institutional scale and velocity.

Over the past year, we have engineered our origination strategy around these interdependent pillars.

Increasing scale has expanded and diversified our opportunity set, allowing us to secure what we believe to be the right assets under the right conditions at the right time. Meanwhile, increasing velocity has broadened deal flow visibility, equipping us with the market context and conviction required to rapidly advance high-potential opportunities to exclusivity. Together, these pillars enable disciplined capital allocation to opportunities we believe will drive superior risk-adjusted returns.

At year-end, our pipeline of development capacity under diligence had more than quadrupled to 12,000 megawatts, while capacity under exclusivity had more than doubled to 2,800 megawatts. Securing exclusivity is a critical milestone in our development process because it defines a clear pathway to ownership, either through an exclusivity agreement that prevents the sale of designated land and power capacity to another party or through a tendered interconnection agreement.

Origination is, above all, a matter of people and execution. It is a highly specialized discipline that requires deep market expertise, regulatory insight, commercial acumen, and industry credibility. These capabilities are neither widely held nor easily acquired, which is why building the right team has been one of my highest priorities since the early days of building our business.

Today, our power-native team has many decades of collective experience across the development value chain. Led by former senior executives and team members from some of North America's largest generation owners, utilities, energy investment firms, infrastructure developers, and trading desks, it is the foundation of our utility-scale origination platform. More than that, we believe it is a source of durable competitive advantage that positions us to scale with uncommon speed and discipline.

With that said, our focus now shifts to execution as we continue to advance the highest-potential opportunities in our pipeline. I'll return to this later.

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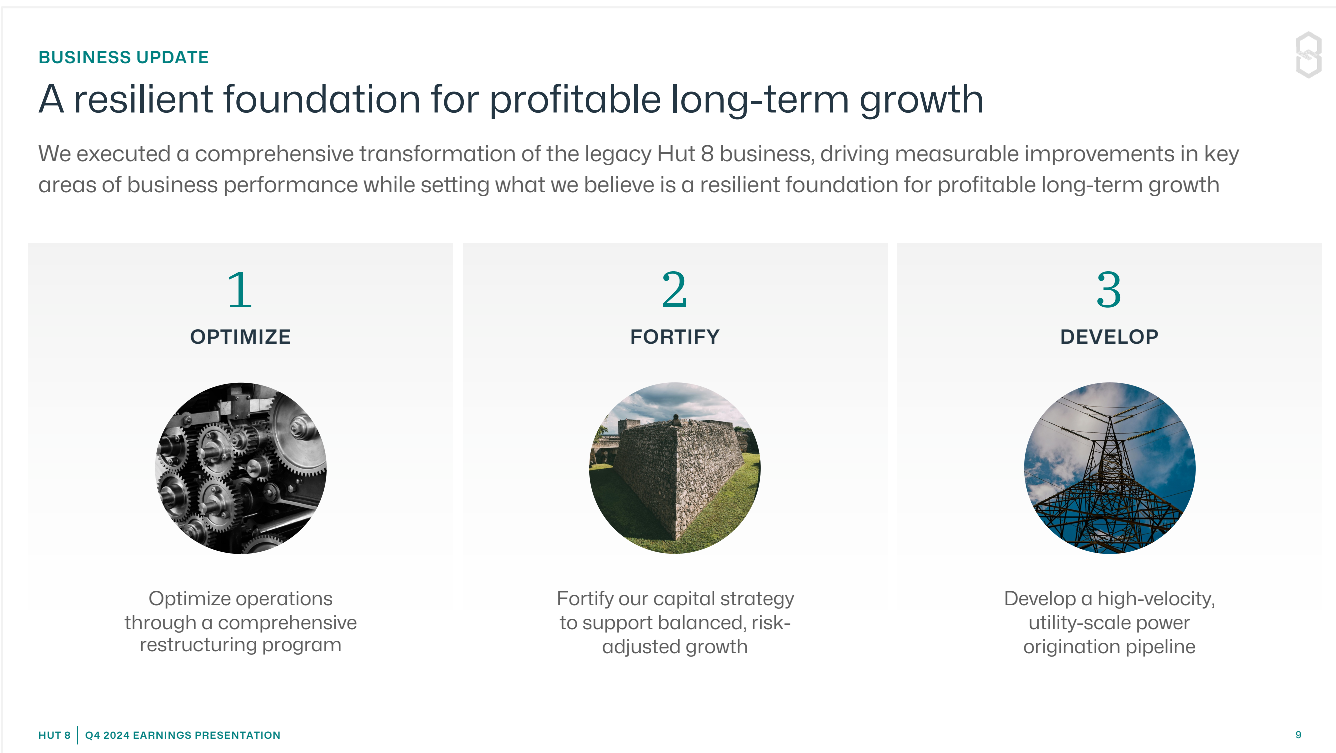

Today, we operate from a position of strength.

We have optimized our operations, built a world-class team, and embedded institutional discipline at every level of the organization. We have fortified our capital strategy to drive balanced, risk-adjusted growth. And we have built a high-velocity, utility-scale origination pipeline spanning 12,000 megawatts, setting the foundation for disciplined long-term value creation.

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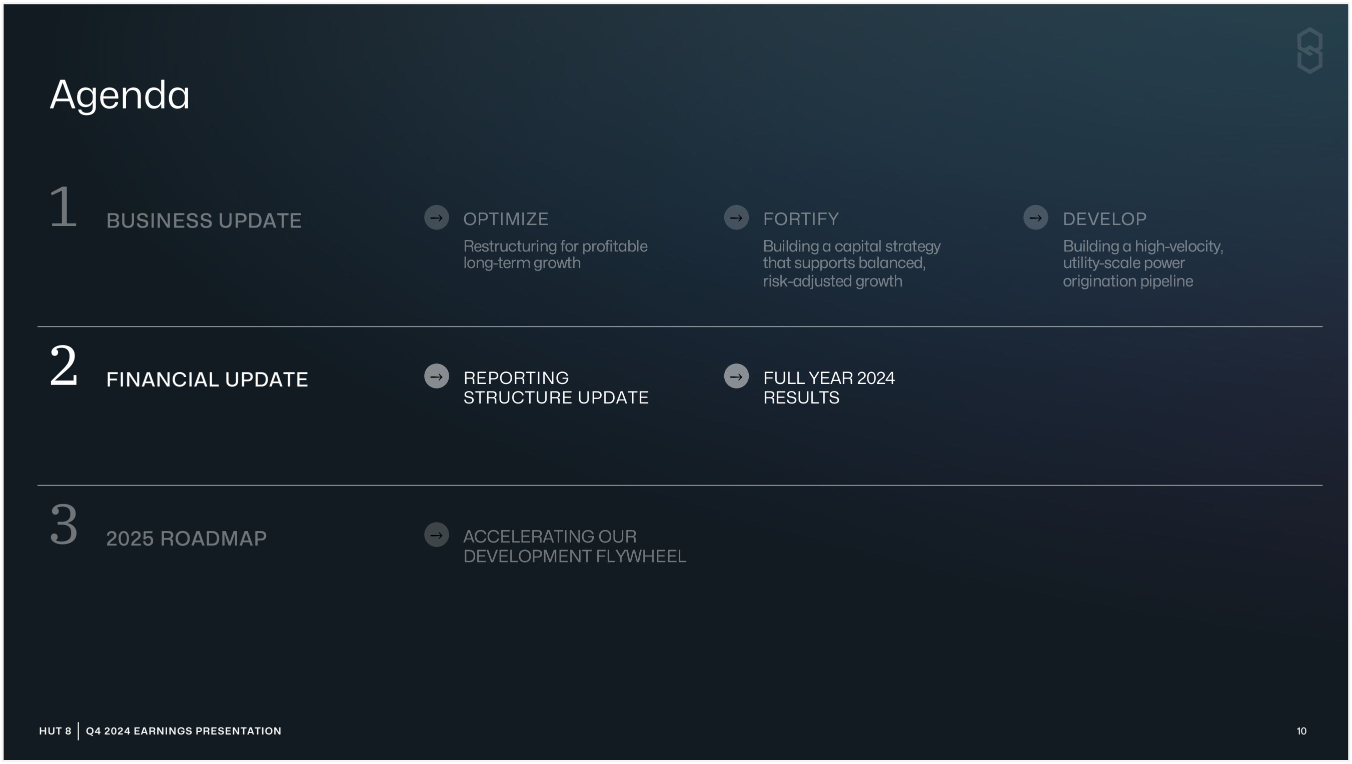

Before I turn it over to Sean, I want to set the stage for what comes next.

The transformation we executed over the past year is meaningful only to the extent that it drives long-term shareholder value. Maximizing shareholder value requires us not only to deliver on our strategic priorities but also to communicate our outcomes under a framework that enables investors to accurately assess our financial performance, operational efficiency, risk management, and long-term growth strategy.

A key enabler of this clarity is our reporting structure. It functions as a critical bridge between the internal reality of our business and how that reality is understood and evaluated by the market. A well-structured reporting framework should provide investors, management, and the broader market with the transparency and insight needed to make informed benchmarking, valuation, and investment decisions.

Over the past year, as we executed our transformation, it became clear that our legacy reporting structure did not adequately align with our transformed business.

Built around narrow operational capabilities like Bitcoin mining and managed services, it did not reflect the power-first strategy and platform-driven business model through which we manage and assess the performance of the business. Instead, it elevated specific activities within each layer of our platform—such as Bitcoin mining and Managed Services—to standalone segments while underrepresenting distinct and fundamental value drivers like power acquisition and digital infrastructure development. Ultimately, it no longer aligned with how we deploy capital, scale our platform, and drive sustainable returns.

With that, I'll turn it over to Sean to explain how our new reporting structure addresses these challenges.

Sean Glennan, Chief Financial Officer

Thanks, Asher, and good morning, everyone. It's a privilege to be here today as we reflect on a year of transformation and growth.

As outlined by Asher, we have refined our reporting structure to provide a clearer, more comprehensive view of how each layer of our platform contributes to growth, profitability, and value creation in the context of our overall business. This structure more accurately reflects how we think about cost of capital, capital allocation, and risk management, as well as how we scale our business with the goal of maximizing long-term shareholder value.

Let's take a closer look at this new reporting structure before turning to our results.

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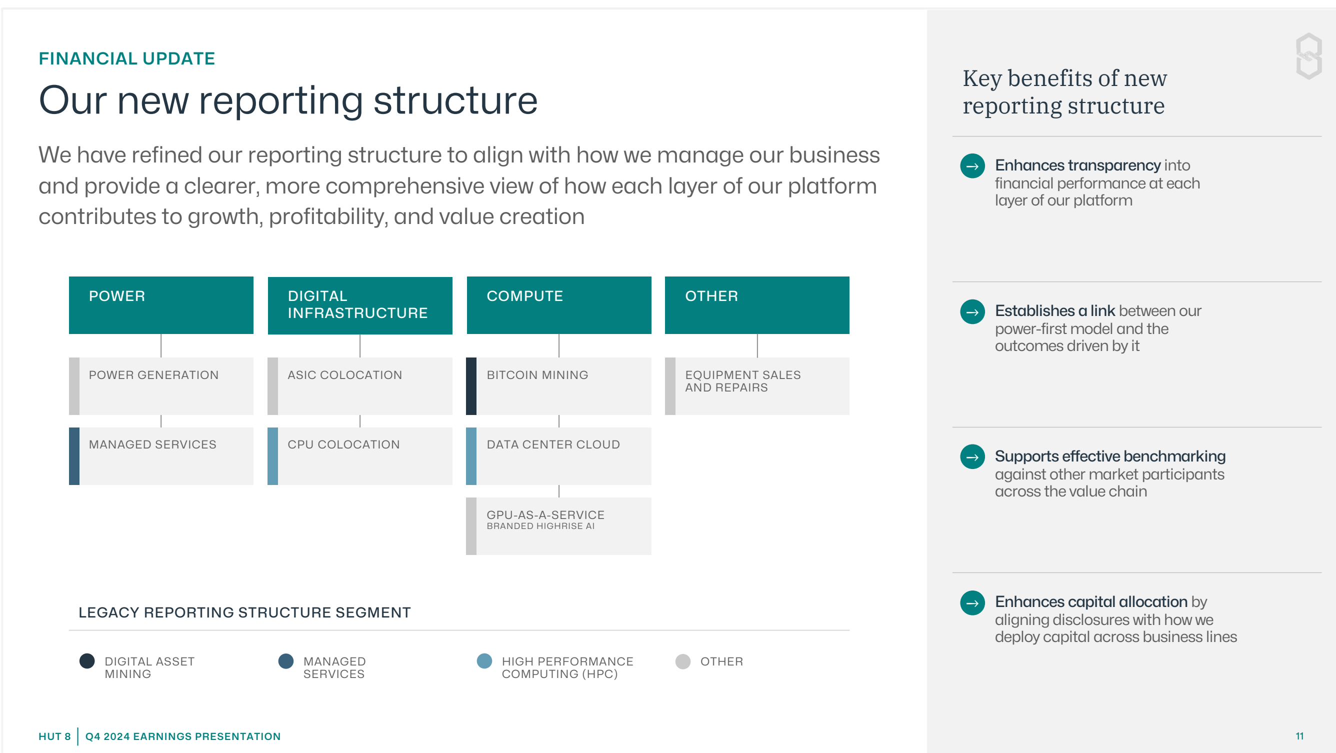

Going forward, we will report under three core segments, or layers, as we like to call them internally—Power, Digital Infrastructure, and Compute—each corresponding to a component of our integrated energy infrastructure platform. A fourth segment—Other—will capture revenue from activities that fall outside the framework of our core platform.

Aligning our financial reporting with how we manage the business operationally will deliver four key benefits:

– First, it will enhance financial transparency by offering more granular insights into revenue composition, cost structures, and profitability dynamics at each layer of our platform.
– Second, it will establish a link between our power-first model and the outcomes driven by it, enabling investors to better understand platform synergies across Power, Digital Infrastructure, and Compute.
– Third, it will support more effective benchmarking by structuring our disclosures in a way that allows investors to assess our performance relative to other market participants across the value chain.
– And fourth, it will enhance our capital allocation framework by aligning our disclosures with how we deploy capital across the business lines addressed by our platform.

With that said, let's turn to our results for the full year of 2024.

As a reminder, the current period reflects the performance of the combined company, while the comparison period reflects eleven months of US Bitcoin Corp's performance as a standalone business prior to the merger and one month of the combined company's performance. Note that our results for the comparison period have been restated under our new reporting structure.

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Our revenue grew 69% year-over-year to $162.4 million for the twelve months ended December 31, 2024. Net income was $331.4 million net of income tax provision of $113.5 million versus $21.9 million in the prior year, and adjusted EBITDA was $555.7 million versus $85.7 million in the prior year. Both net income and adjusted EBITDA reflect a gain on digital assets of $509.3 million in accordance with the new FASB fair value accounting rules.

As we continue to scale our business, a strong balance sheet will be a crucial foundation for disciplined, agile capital allocation while enabling us to withstand and thrive across market cycles. We closed the year with a strong liquidity position, supported by a strategic Bitcoin reserve of 10,171 Bitcoin with a market value of $949.5 million, reinforcing our ability to deploy capital efficiently and pursue growth initiatives from a position of strength.

Now, let's take a deeper look at our business through the lens of our new reporting structure, beginning with our Power segment.

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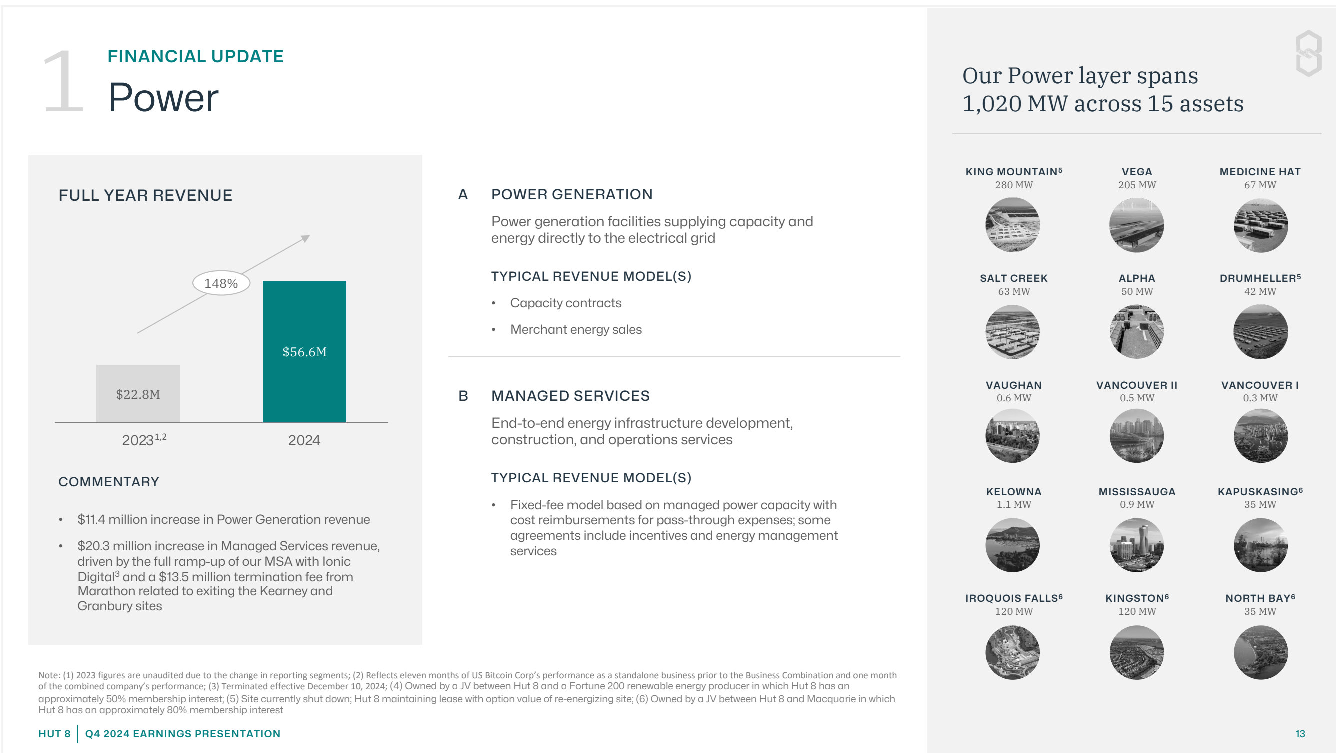

The Power segment corresponds to the Power layer of our platform, where we acquire, develop, and manage critical energy assets such as interconnects and powered land. As of year-end, our Power layer comprised 1,020 megawatts of energy capacity under management across 15 sites in the United States and Canada.

We generate revenue from our Power assets through our Power Generation and Managed Services businesses.

In Power Generation, we own and operate four natural gas power plants in Ontario, Canada with 310 megawatts of total capacity under a joint venture with Macquarie. These facilities generate revenue through capacity contracts and merchant energy sales within the Independent Electricity System Operator, which manages the Ontario electrical grid.

In Managed Services, we provide end-to-end energy infrastructure development, construction, and operations services to third-party power asset owners. Managed Services agreements are typically structured under a fixed-fee model based on power capacity under management, with cost reimbursements for certain pass-through expenses. Some agreements include incentive bonuses and energy management services that enable us to further monetize our expertise in power management and optimization.

Power segment revenue more than doubled year-over-year to $56.6 million, driven by a $11.4 million increase in Power Generation revenue and a $22.3 million increase in Managed Services revenue. Growth in Managed Services revenue was driven by the full ramp-up of our MSA with Ionic Digital, which was terminated in December 2024, along with proceeds from a $13.5 million termination fee from Marathon related to exiting the Kearney and Granbury sites.

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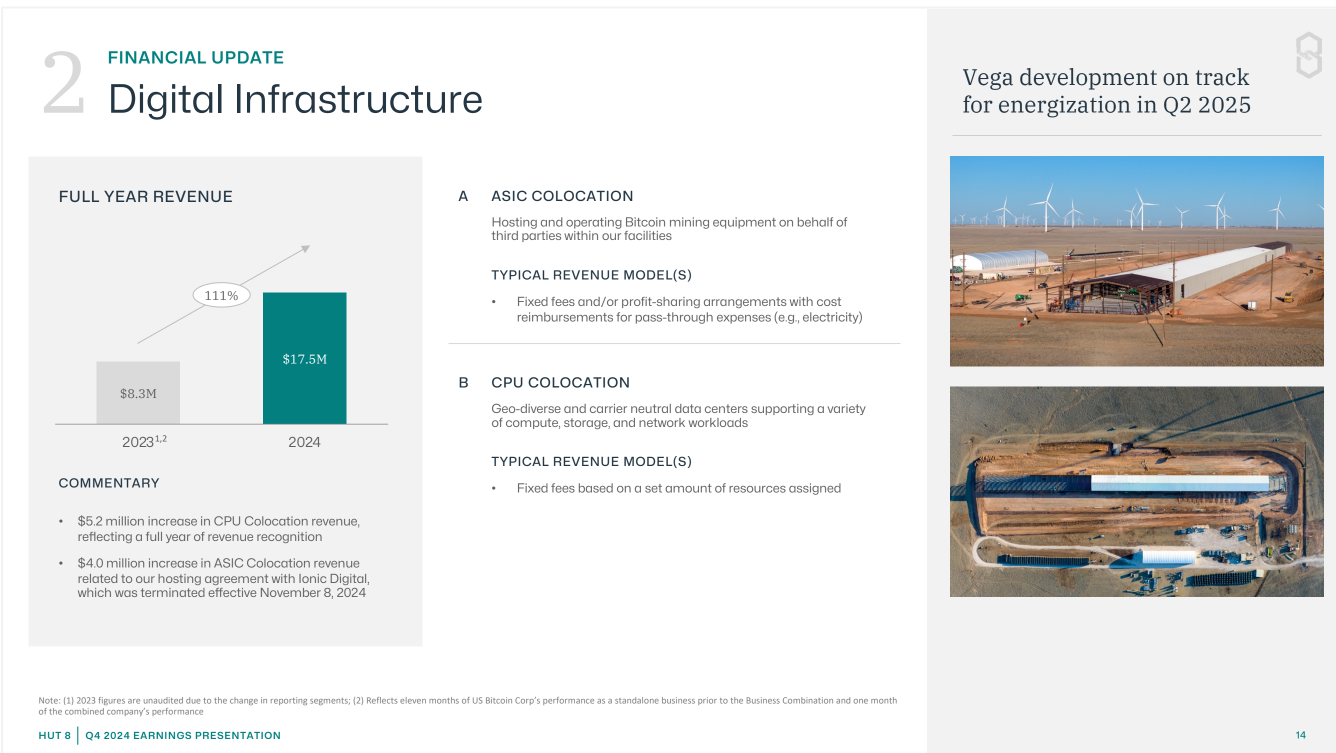

The second segment of our new reporting structure is Digital Infrastructure.

This segment corresponds to the Digital Infrastructure layer of our platform, where we design, build, monetize, and operate purpose-built facilities for energy-intensive applications. Our objective in this segment is to maximize long-term returns from our Power layer by developing and monetizing infrastructure that supports high-value compute applications for third-party customers.

As of year-end, our Digital Infrastructure layer comprised five Bitcoin mining data centers, five traditional data centers, and one non-operational site. As markets and technologies evolve, we expect this layer to expand beyond its current focus areas, supporting emerging applications and diversifying our portfolio into new infrastructure verticals such as AI and other large-scale HPC data centers.

The Digital Infrastructure business segment consists of CPU Colocation and ASIC Colocation services. We monetize these services through agreements structured under fixed-fee or consumption-based models, some of which incorporate profit-sharing and cost reimbursements for pass-through expenses such as electricity.

While contract structures and margin profiles vary across workloads, the underlying drivers of infrastructure profitability are fundamentally similar. Key cost drivers, including power costs, cooling, facility utilization, and operational efficiency, apply across workloads and applications.

A key advantage of our application-agnostic approach to Digital Infrastructure development is its inherent flexibility. We retain the ability to monetize our power on an asset-by-asset basis, accounting for market dynamics and risk-return tradeoffs before deploying capital. This approach allows us to optimize risk-adjusted returns by monetizing each Power asset with what we believe to be the highest-value use case at any given time while mitigating the risk of underutilized or stranded assets.

Beyond capital efficiency, our model is designed to reduce exposure to sector-specific volatility. By diversifying our Digital Infrastructure segment revenue mix across ASIC, CPU, and potentially other emerging workloads, we aim to decrease our reliance on any single market while smoothing earnings fluctuations inherent to high-growth, technology-driven end markets. This enables us to capture upside in fast-growing markets while maintaining the flexibility to scale back exposure to more cyclical sectors as needed.

Ultimately, we believe this framework positions our Digital Infrastructure segment for scalable, long-term value creation by ensuring each asset in our Power portfolio is optimized for risk-adjusted returns, maintaining operational flexibility, and reinforcing capital efficiency.

Digital Infrastructure segment revenue more than doubled year-over-year to $17.5 million, driven primarily by a $5.2 million increase in CPU Colocation revenue, which reflects a full year of revenue recognition at our five traditional data centers in Canada, where we provide cloud and colocation services to more than 250 customers across government, financial services, media, and other industries. Topline growth also reflects a $4.0 million increase in ASIC Colocation revenue related to our agreement with Ionic Digital, which was terminated effective November 8, 2024.

In the coming quarters, our Digital Infrastructure segment will reflect revenue from our ASIC Colocation agreement with BITMAIN, which is expected to generate approximately $125 million in annualized revenue upon full ramp. Development of our Vega site, where the agreement will be launched, remains on track for energization in the second quarter of 2025.

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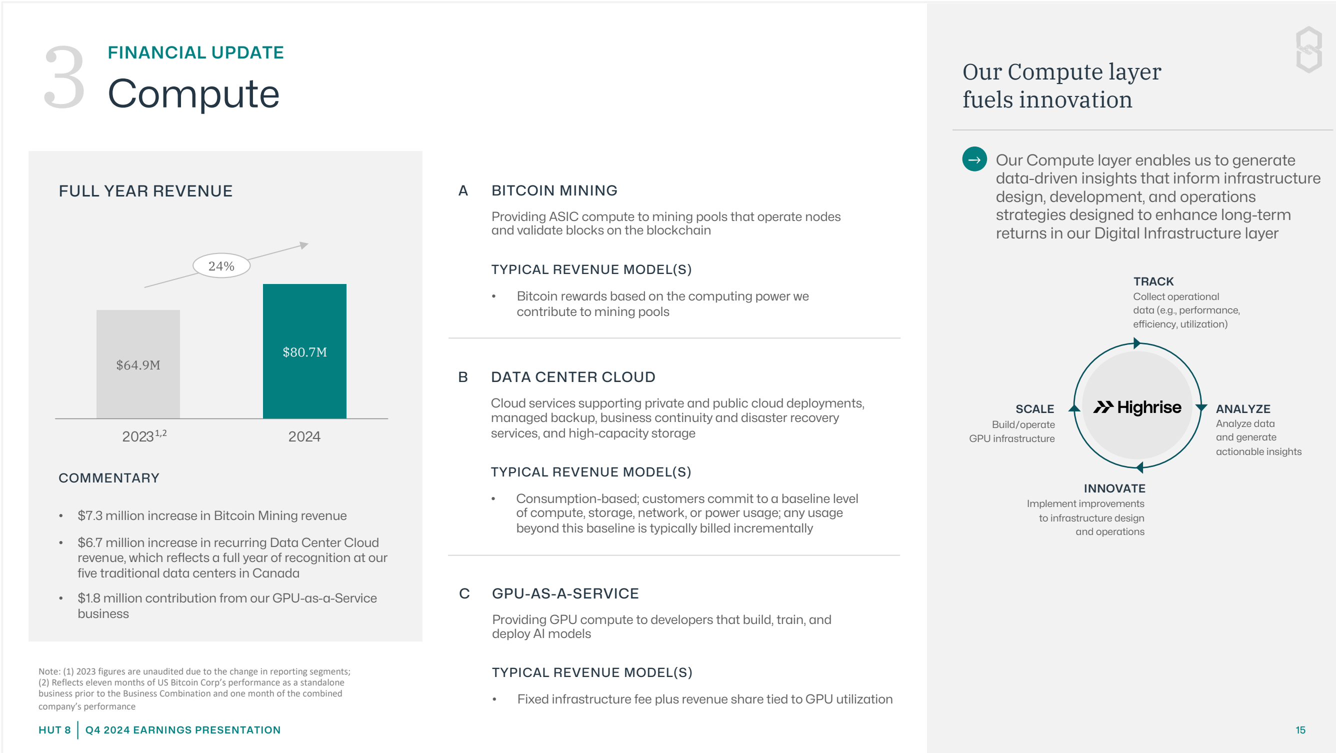

The third segment of our new reporting structure is Compute.

This segment corresponds to the Compute layer of our platform, where we acquire, monetize, and operate specialized hardware for energy-intensive technologies like ASIC compute for Bitcoin mining and GPU compute for AI workloads. As of year-end, our compute layer comprised 5.5 exahash per second of ASIC compute capacity for Bitcoin mining and 1,000 NVIDIA H100 GPUs for AI compute, operated through our GPU-as-a-Service subsidiary Highrise AI. We also provided CPU-based cloud solutions through our five traditional data centers in Canada.

Our Compute segment is designed to capture the economics of compute markets. It also enables us to develop deep, firsthand operational expertise in the technologies we support in our Digital Infrastructure layer. By operating specialized hardware such as ASICs for Bitcoin mining and GPUs for AI workloads, we generate data-driven insights that inform infrastructure design, development, and operations strategies designed to enhance long-term returns in our Digital Infrastructure layer.

While Bitcoin mining, AI compute, and other emerging technologies serve distinct end markets, they share investment risk characteristics. Revenue in both ASIC and GPU compute markets, for example, is closely tied to supply-demand volatility, rapid hardware evolution, and short obsolescence cycles. These dynamics necessitate aggressive capital recovery and yield similar risk-return profiles.

Compute segment revenue increased 24% year-over-year to $80.7 million, driven by a $7.3 million increase in Bitcoin Mining revenue; a $6.7 million increase in recurring Data Center Cloud revenue, which reflects a full year of revenue recognition at our five traditional data centers in Canada; and a $1.8 million contribution from our GPU-as-a-Service business.

Given the capital-intensive nature of Compute—where hardware requires significant upfront investment and depreciates rapidly—we will continue to prioritize capital-efficient strategies to maximize returns and minimize risk as we scale this segment. This discipline is exemplified by our structured purchase option at Vega for 15 exahash of Bitcoin mining capacity, which reduces capital exposure versus an outright hardware acquisition, and the launch of Highrise AI as a subsidiary business targeting the GPU-as-a-Service market.

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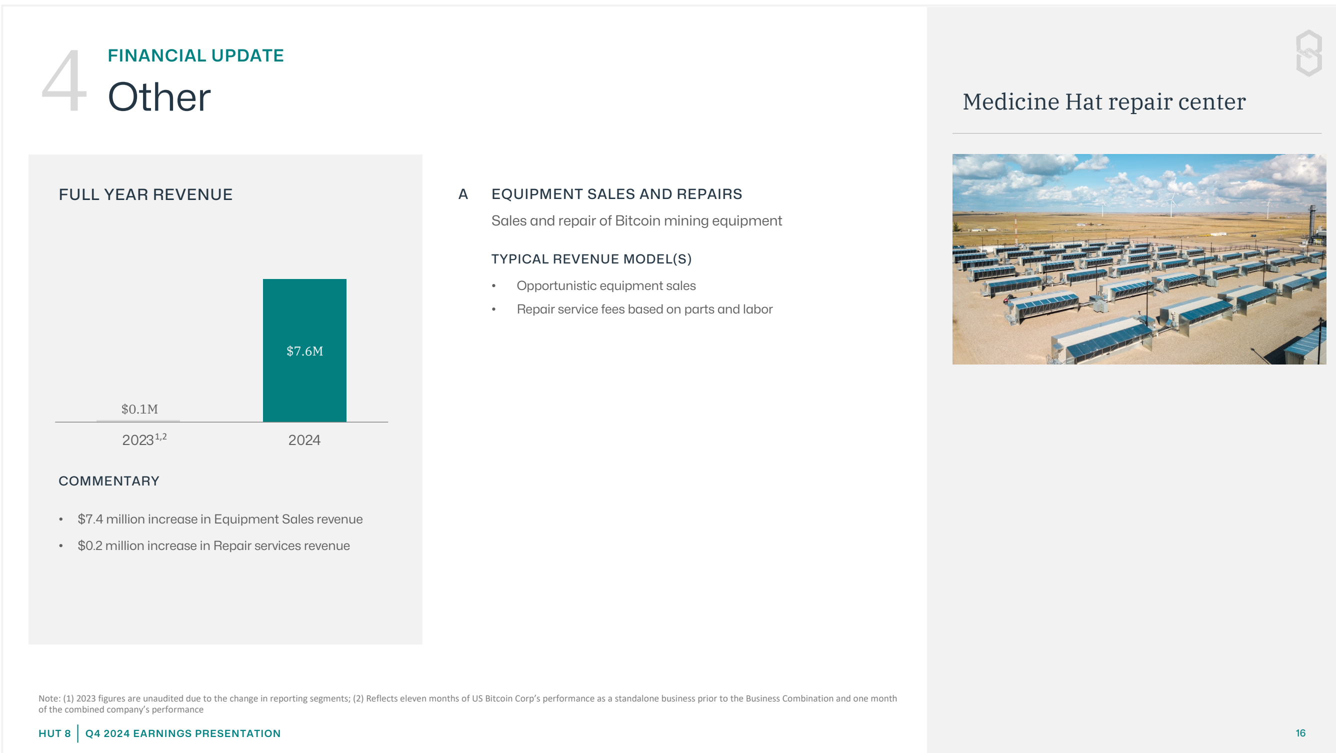

The fourth segment of our new reporting structure, Other, comprises revenue generated from operating activities outside the core scope of our platform model.

While our primary focus remains on the three core layers of our platform, we continually evaluate opportunities to leverage our expertise in power, digital infrastructure, and compute to enhance risk-adjusted returns. Over time, we may expand into complementary business lines that align with our strategic capabilities. Full year Other segment revenue was $7.6 million, consisting of Bitcoin mining equipment sales and repairs.

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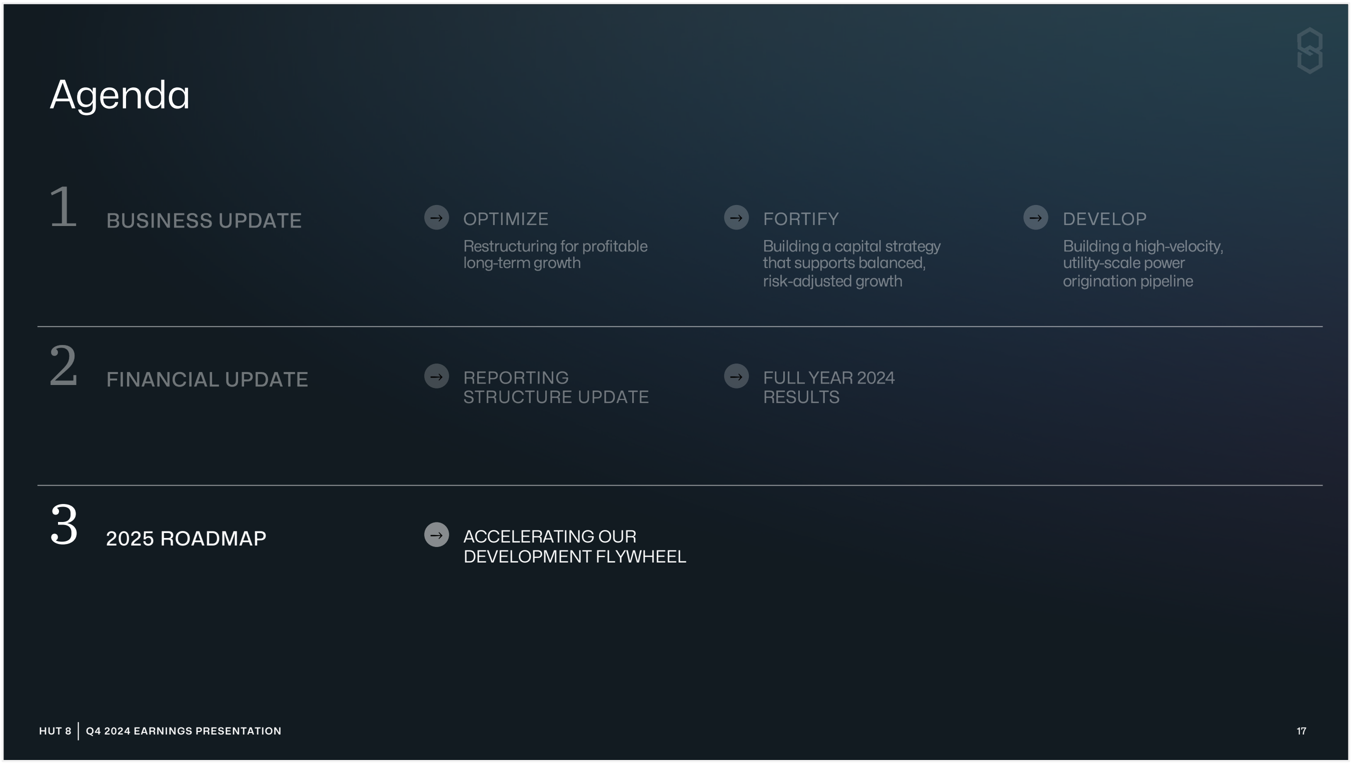

Over the past year, we set out to build a stronger, more resilient Hut 8—one capable of executing at scale, navigating volatility, and driving long-term shareholder value.

We accelerated our pipeline, securing high-potential power assets at a pace that reflects our growing conviction in energy and digital infrastructure. We refined our capital strategy to balance growth with prudent risk management, enabling us to act decisively without compromising stability. And we invested in the people, processes, and technology required to scale with uncommon speed and discipline, embedding institutional rigor at every level of the business.

Today, we stand on a foundation that feels markedly stronger than it did just a short while ago. Our strategy is clear, our balance sheet is fortified, and our team is built to execute.

The best is yet to come, and I look forward to sharing our continued progress in the year ahead.

Asher, back to you.

Asher Genoot, Chief Executive Officer

Thanks, Sean.

Before outlining our roadmap for 2025 and the early progress we've made against our strategic priorities, I want to take a step back and put everything into context.

In 2024, we fundamentally transformed the legacy Hut 8 business—optimizing operations, fortifying our capital strategy, and developing a high-velocity, utility-scale power origination pipeline. To enhance transparency and investor insight, we also realigned our financial disclosures to more accurately reflect our business model and long-term strategy.

Now that this transformation is complete, we can channel the foundation and the momentum we've created into a new phase of growth and expansion. It's an incredibly exciting time for our business, and I'm eager to share how we're thinking about what lies ahead.

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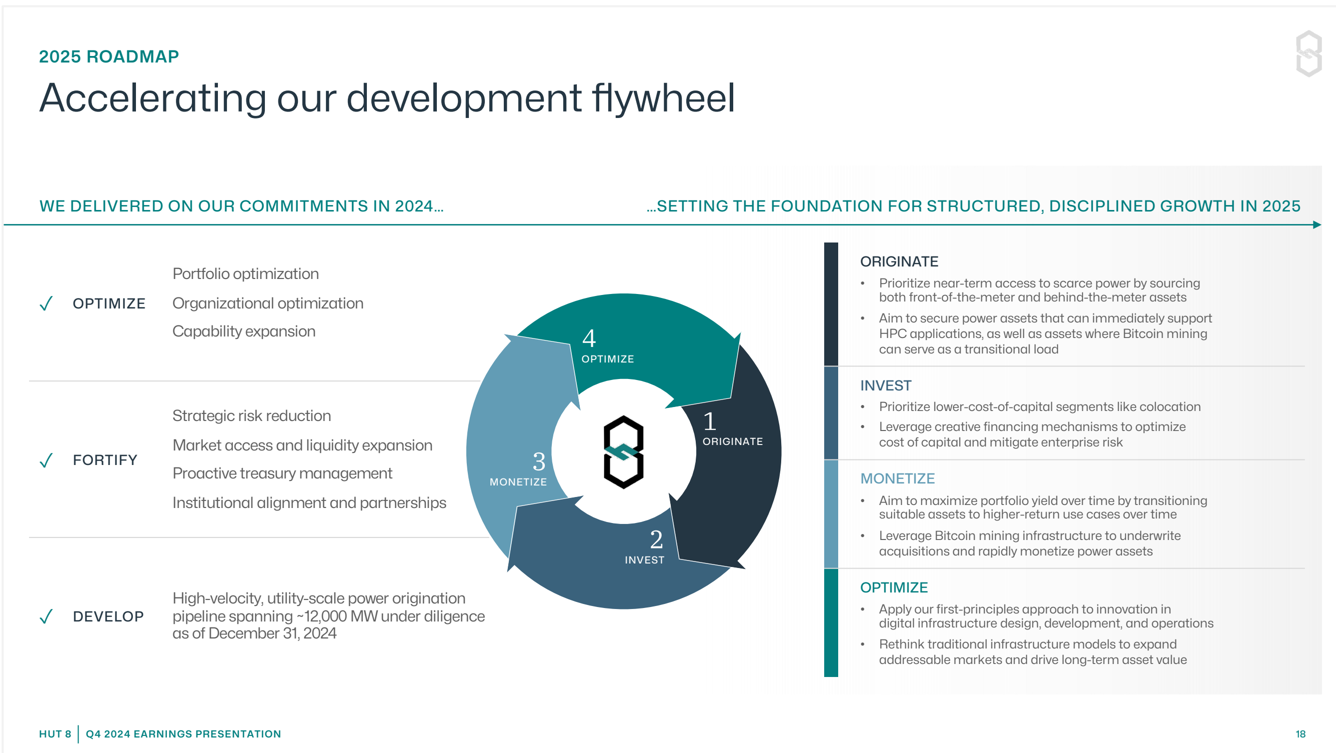

It all begins here with our development flywheel, a framework designed to compound returns and drive long-term value creation as we scale. In 2025, our goal is to accelerate this flywheel by advancing four drivers of value creation: origination, investment, monetization, and optimization.

Each of these drivers plays a distinct yet interdependent role in our power-first strategy. First, I'll outline the function of each driver and its role in our 2025 roadmap. Then, I'll illustrate this model in action by discussing River Bend, a large-scale campus in Louisiana that we recently acquired.

The first driver of our development flywheel is origination.

A scaled, diversified pipeline is essential to the expansion of our Power layer and enables us to capture demand in high-growth segments like AI data centers, where power access is the gating factor for infrastructure development. Last year, we built a high-velocity, utility-scale origination pipeline spanning 12,000 megawatts under diligence, enabling us to take a disciplined, strategic approach to site selection and portfolio construction.

In 2025, we will continue to prioritize near-term access to scarce power by seeking to source both front-of-the-meter and behind-the-meter assets while diversifying our pipeline across geographies and use cases. Within this framework, our origination strategy will focus on securing high-value power assets that can immediately support AI or other HPC applications, as well as assets where Bitcoin mining can serve as a transitional load to monetize the site while we secure AI or HPC customers.

By increasing both the scale and velocity of our origination pipeline, we aim to enhance our ability to execute quickly and capitalize on development opportunities across a range of end markets and customer profiles.

The next driver of our development flywheel is investment.

Investment converts pipeline assets into tangible, value-accretive components of our platform. Our capital allocation framework is designed to optimize for risk-adjusted returns by balancing capital efficiency with scalable, long-term value creation.

In 2025, our investment strategy will prioritize lower-cost-of-capital segments like colocation while leveraging creative financing mechanisms—such as our purchase option at Vega and our Bitcoin pledge financing model for fleet upgrades—to optimize cost of capital and mitigate enterprise risk.

Given the substantial capital requirements for digital infrastructure development, particularly in HPC, we will continue to deepen our engagement in project-level financing markets, cultivate strategic capital partnerships, and actively evaluate financing structures to advance high-potential developments like River Bend.

Above all, we will maintain a disciplined yet opportunistic approach to capital allocation, aiming to deploy capital only when projected returns meet or exceed our thresholds for value creation.

We now turn to monetization, the third driver of our development flywheel.

Monetization transforms our Power assets into revenue-generating infrastructure.

In 2025, we will continue to take a power-first approach to digital infrastructure development, monetizing each Power asset with the use case we believe will deliver the highest risk-adjusted returns at present then maximizing portfolio yield over time by transitioning suitable assets to higher-return use cases.

This means leveraging Bitcoin mining infrastructure to underwrite acquisitions and rapidly monetize power assets, particularly when they are not immediately viable for traditional data center workloads like AI compute. As demonstrated by our Vega data center development, suitable sites can begin their lives as Bitcoin mining data centers with the potential to be repurposed for other, higher return workloads in the future.

We believe our phased value creation model provides a structural advantage over markets with more complex commercialization dynamics. Our ability to rapidly deploy capital, energize sites, and generate revenue enables us to scale our power footprint often faster and more cost-effectively than developers bound by traditional data center development cycles. Ultimately, this strategy accelerates payback periods, enhances capital efficiency, and generates reinvestable cash flows that fuels further expansion of our platform.

The final driver of our development flywheel is optimization.

In 2025, we will continue applying our first-principles approach to innovation in digital infrastructure design, development, and operations to optimize capital efficiency while driving long-term infrastructure flexibility and scalability.

Historically, our extensive in-house development capabilities have enabled us to design, build, and scale Bitcoin mining infrastructure at a fraction of the cost and time of traditional outsourced models. This structural advantage has shortened payback periods, accelerated speed to revenue, enhanced capital efficiency, and driven superior returns on invested capital.

As we expand our Digital Infrastructure layer, we intend to extend these efficiencies across a broader range of infrastructure verticals and form factors, reinforcing our ability to scale rapidly and sustain capital-efficient growth.

Beyond cost and operational efficiencies, optimization also means rethinking traditional infrastructure models to expand addressable markets and drive long-term asset value. Our integrated platform model drives deep insight into the technical and commercial challenges that inform infrastructure design and performance, enabling us to develop and implement innovations that enhance performance, reduce costs, and enhance the flexibility of our Digital Infrastructure assets.

Take Vega, for example, where we applied this approach to develop a new data center form factor that helps bridge the gap between Bitcoin mining and HPC data center architecture while retaining the cost advantages and rapid deployment timeline that define our model. By integrating high-density racks, liquid-to-chip cooling, and HVAC-supported air cooling, we optimized the site for high-density ASIC deployments while incorporating design elements that enhance flexibility for future workloads.

This balance of performance, efficiency, and capital discipline exemplifies our approach to optimization and value creation. As we scale, we will continue to challenge legacy design assumptions, drive cost advantages, and create infrastructure that is more flexible, efficient, and monetizable across evolving digital workloads.

By aligning origination, investment, monetization, and optimization under a single, power-first framework, we can rapidly transform opportunities into tangible value. To see how this model operates in practice, let’s turn to a recent addition to our portfolio—River Bend—where our integrated approach enabled us to identify and secure a high-potential power asset in an emerging data center market.

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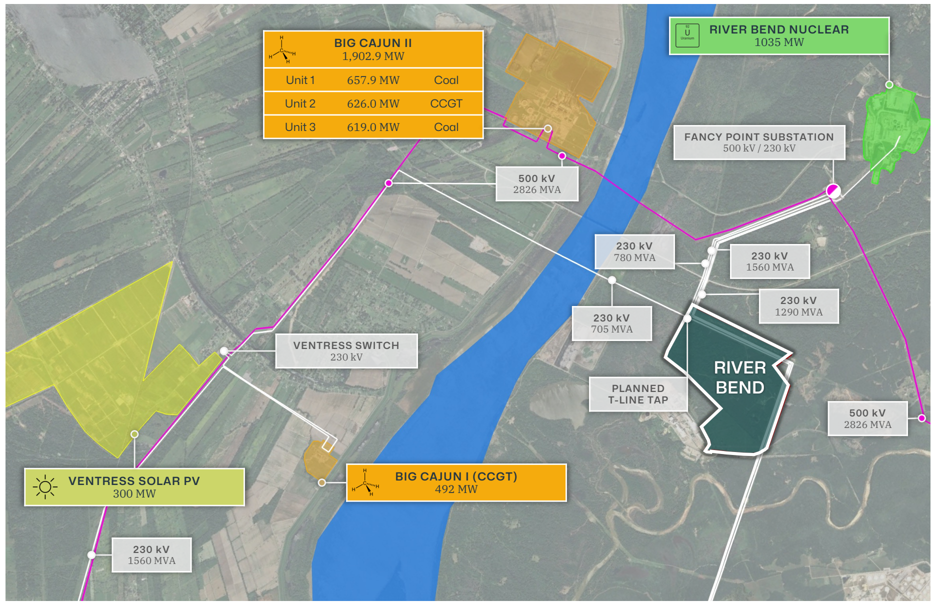
2025 ROADMAP

Our power-first strategy in action: River Bend



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Last quarter, I noted that three projects in our development pipeline—together representing over 430 megawatts of capacity—held promise for large-scale AI data center projects. River Bend, a 300-megawatt utility-scale power asset in Louisiana with 200 megawatts of dedicated IT load, was among those that I highlighted.

Last week, we secured this campus, and the process that led to the acquisition exemplifies both our team's power sector expertise and the rigorous approach we take to identify, evaluate, and commercialize new development prospects. It also illustrates how we systematically analyze markets to find regions and sites that can support large-scale digital infrastructure over the long term.

Seeking to expand beyond our mature Texas footprint, we surveyed the country for regions with abundant power availability, resilient infrastructure, and pro-business regulatory frameworks. Our power-native team—which includes former utility executives, generation developers, and energy traders—then conducted a thorough analysis of grid dynamics and generation pockets.

Drawing on deep regulatory insight and commercial acumen, we identified three key factors that made Louisiana particularly appealing for large-scale digital infrastructure.

- First, the state's diverse fuel mix provided cost-competitive, reliable energy.
- Second, new, governor-led tax incentives and strong local support fostered a business-friendly environment.
- Finally, the state's strategic position between Dallas-Fort Worth and Atlanta offered a dual benefit: it could serve as an overflow market for tenants in Texas or as a cost-effective alternative to the more saturated Southeastern corridor.

Once we recognized the potential of Louisiana, we assessed numerous properties statewide to find a suitable campus. That diligence led us to West Feliciana Parish, where we acquired 592 acres of land now known as our River Bend campus. The site features direct access to the Mississippi River, providing for abundant water resources, and sits at an elevation of 100 feet, well above the 500-year flood level of 67 feet. Working in close coordination with Entergy Louisiana, the Governor's office, local developers, and parish officials, we confirmed land-use feasibility, culminating in zoning and planning approval in January 2025.

Our River Bend campus is located 1.5 miles from a one-gigawatt nuclear plant and 7 miles from a 300-megawatt solar facility. We believe existing high-voltage transmission lines onsite create a viable path to scale beyond one gigawatt of capacity. The site further benefits from 3.6 gigawatts of existing 230 kV lines and substantial fiber capacity, including seven distinct campus entrances and 30-year IRU dark fiber linking major hubs like San Francisco and Northern Virginia. We believe these converging strengths—ample space, robust transmission lines, and diverse connectivity—are essential prerequisites for large-scale data center operations.

Throughout the entire process, our extensive collaboration with Entergy Louisiana and various government stakeholders not only mitigated acquisition risk but also demonstrated our ability to operate at a utility level. While Meta's subsequent announcement underscored Louisiana's rising potential for digital infrastructure development, I'll emphasize that River Bend is just one example of the rigorous approach to power origination we take to build a scaled pipeline of highly attractive development opportunities.

Ultimately, River Bend exemplifies our distinct power-first approach to digital infrastructure development, illustrating the rigor of origination, investment, monetization, and optimization that underpins our entire development flywheel.

As we advance through 2025, we will continue to leverage our deep power-sector expertise to identify other high-potential sites that enable us to address surging demand for load capacity across emerging applications like AI compute. This disciplined approach underpins our commitment to delivering outsized returns and building an enduring, generational business at the intersection of energy and technology.

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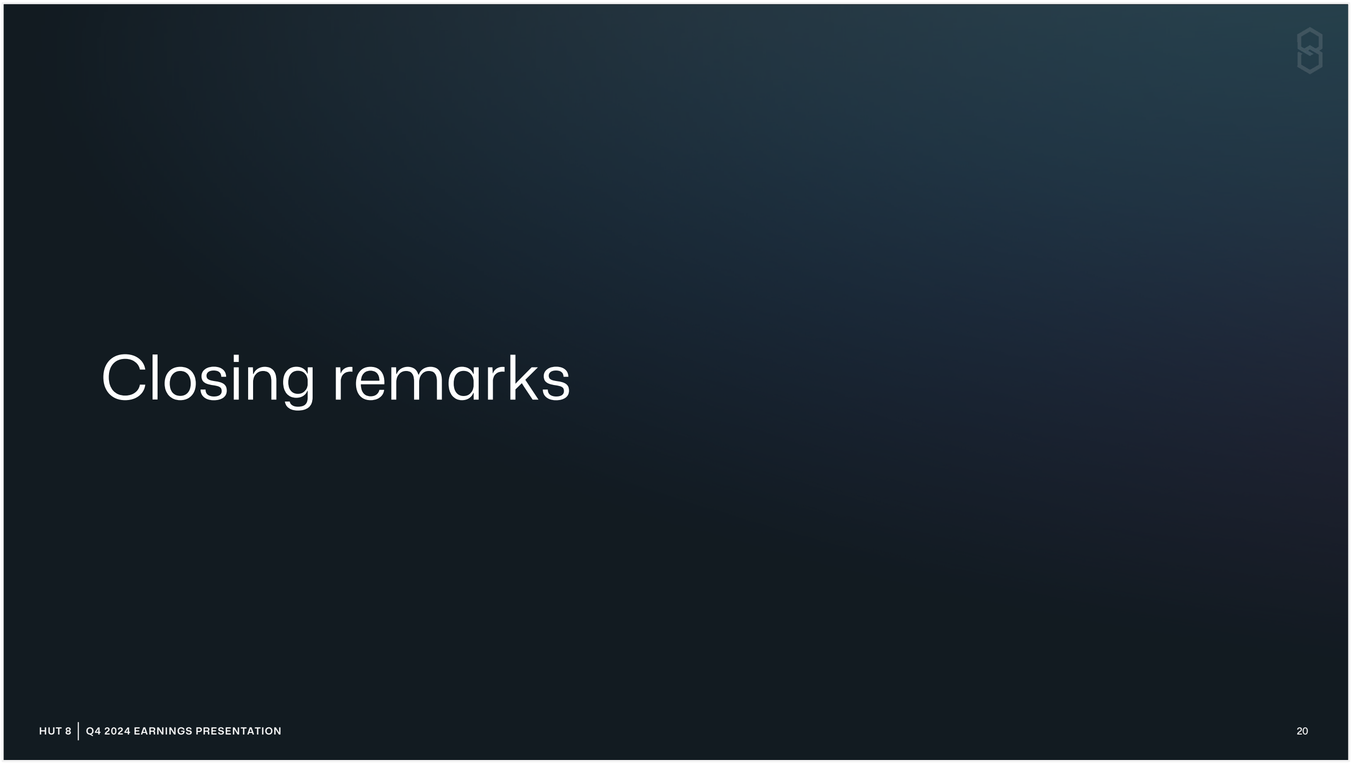

I'll take one final step back as I conclude my remarks. Everything we've discussed today—from the transformation of our business to the refinement of our reporting structure and our roadmap for 2025—is anchored in a principle I shared when I first outlined the early impact of our restructuring program several months ago: We prioritize fundamentals above all else, and we invest capital only when it we believe it will create enduring shareholder value.

Looking ahead to 2025 and beyond, this principle will guide us forward. While others may fixate on short-term metrics or fleeting trends, we will continue to take a power-first, innovation-driven approach to develop, commercialize, and operate the critical infrastructure that underpins the breakthrough technologies of today and tomorrow. The market will not always agree with our approach, but there is a simple conviction at the heart of everything we do. And we will continue to follow that conviction because we believe it is the path to building a generational business at the intersection of energy and technology.

Thank you again for your continued support. It has been an honor to lead Hut 8 as CEO over the past year. Operator, please open the line for Q&A.

Operator

Thank you.

Ladies and gentlemen, if you have a question or a comment at this time, please press star *11 on your telephone. If your question has been answered, and you wish to move yourself from the queue, please press *11 again. We'll pause for a moment while we compile our Q&A roster.

Our first question comes from Mike Colonnese with H.C. Wainwright. Your line is open.

Mike Colonnese, H.C. Wainwright

Hi. Good morning, guys. Congrats on all the progress you made in 2024 with the business and the plans here for 2025.

I was wondering if you could provide more detail around your capital allocation priorities for 2025. You obviously have this large development pipeline in now River Bend, an exciting new site for you. It'd be great to get a better sense as to how you plan to deploy capital either to develop Bitcoin mining infrastructure or HPC AI data centers and also how you're thinking about acquiring additional Bitcoin in the open market following the purchase you made back at the end of last year.

Asher Genoot, CEO

Thanks, Mike. Really appreciate that.

As we look at the layers of our business, and we think about Power, Digital Infrastructure and Compute, we'll continue to invest into the Power layer because we believe that's the foundation that drives value across the rest of the business. You'll see right now with our fleet upgrade coming in this quarter, that will bring our fleet efficiency on the Bitcoin mining side of the business from 32 joules per terahash to around 20.5 joules per terahash with about 10.3 exahash online.

Then with the fleet upgrade and the potential BITMAIN option, there's a path towards 25 exahash as well, bringing efficiency down to 16 joules per terahash. When we look on the other side of the business, which is data center development and HPC development, we're extremely excited by the potential of what's possible and the scale.

When we look at these large project sites, every 100 megawatts is about a billion dollars of development and capacity development. With the right investment grade counterparties, we can pull about 70% to 80% project-level financing on the construction loan, and we've seen in the spread between SOFR plus 200 BPS or up to SOFR plus 450 BPS for non-IG counterparties.

We will use different mechanisms of project-level financing, subsidiary financing in addition to parent-level financing to drive growth across all layers of the infrastructure stack and continue to accelerate growth with the foundation being on power development.

Mike Colonnese, H.C. Wainwright

Appreciate the color there, Asher.

If you could just provide some more detail on how conversations with prospective AI customers have evolved since last quarter. Just curious to see what inning they are in their due diligence process as it relates to evaluating Hut's power assets and if the Coatue relationship is really helping to accelerate those conversations.

Asher Genoot, CEO

Thanks, Mike.

I've taken this approach from the very beginning when we started this, which is Hut 8 will be a lot more thoughtful about what we share to the market, and really share updates as they become definitive. As we continue to commercialize both River Bend and other opportunities in our commercialization pipeline, we'll continue to work hard.

You guys have our commitment that myself and Sean spend a majority of our time on this segment of the business because we've already built such a great flywheel on the low redundancy Bitcoin compute side of the business. We continue to have active deep conversations with different counterparties, and we'll share more with the market as they become definitive.

Mike Colonnese, H.C. Wainwright

Great. Thank you for taking my questions.

Operator

One moment for our next question. Our next question comes from Patrick Moley with Piper Standler. Your line is open.

Patrick Moley, Piper Sandler

Good morning. Thanks for taking the question.

You saw a pretty significant step up in the amount of power under exclusivity, as well as the development pipeline. Can you talk about where the incremental opportunities are coming from and how we should think about your ability to convert or what pace you expect to convert some of the development pipeline into power under exclusivity? Then just lastly, as we sit here today, how much of your power under exclusivity could be used for AI HPC data centers? Thanks.

Asher Genoot, CEO

Thanks, Patrick.

Today as we look at end of Q4 2024, 12.3 gigawatts of total pipeline capacity, of which 2.8 gigawatts are under exclusivity, the River Bend project was an example of a project that was under exclusivity for quite some time under a one-way purchase and sale agreement, which we executed and now own the property. We're looking at projects across the ecosystem in the US, from Kansas City, West Virginia, Michigan, Florida, Ohio, Indiana.

We continue to focus the pipeline on sites that are focused on AI data center development, some in Tier 1 markets, or others that have dual purposes as well. There are some sites that are purely just for the HPC AI side of the business and others that have this dual purpose. We are less interested in developing sites that only have one purpose. We've been very thoughtful in building and adjusting our development pipeline over the last 12 months to address the demand both that we see that exists today but also as we see the energy landscape evolve over the years to come.

Patrick Moley, Piper Sandler

Then just as a follow-up, on the River Bend site, any idea of what the potential capex per megawatt would look like there? I understand depending on the deal terms, maybe the tenant would cover a portion of that. Just broadly, what would you expect that capex per megawatt to be? Really help with our models. Thanks.

Asher Genoot, CEO

I think that's right. The rough range is around $10 million a megawatt. That will adjust a bit based on the tenant's demands. As you know, some of these structures are on a triple net yield on cost model, and others are on a more gross modified lease. Any adjustments to that capex, depending on the tenant's needs, will obviously have an impact on that lease rate.

Patrick Moley, Piper Sandler

All right. Great. That's it for me. Thanks.

Operator

One moment for our next question. Our next question comes from Bill Papanastasiou with KBW. Your line is open.

Bill Papanastasiou, KBW

Good morning, and thanks for taking my questions.

Asher, can you shed some light on the Managed Services business following the Ionic Digital contract termination? What does the landscape look like today, and do you see more growth opportunities in the market, or should we expect growth coming mainly from self-mining and hosting?

Asher Genoot, CEO

Thanks, Bill.

On the Ionic partnership and relationship there, we obviously reserve our rights there but are focused on the highest and best use of time right now in terms of where we see the biggest growth towards our business and the biggest catalyst for that growth.

As we look at the Managed Services business, we actually have a team, and we just brought on a new person as well to that team to continue looking and growing. I think the profile of customer there is really financial investors looking to get exposure, and we become that counterparty.

For example, our Managed Services business that we had with Generate Capital when they took over the Compute North assets, that was a great relationship. In addition to our Managed Services at the King Mountain JV with NextEra, great relationship. Both of these counterparties have a common theme where they're financial investors into this asset class and less have an ambition of being operators within this asset class.

We'll look at other areas of growth for Managed Services, but within the largest driver of shareholder creation in the company is obviously continuing to build power and digital infrastructure capacity and be able to find co-located customers specifically on the AI business and also co-locating on the digital asset side of the business as well. Managed services is a great business line to offset some of our SG&A, and it's a high-margin service-based business. The largest value drivers of stockholder value to our company, we believe, will be through the other pillars.

Bill Papanastasiou, KBW

Appreciate that color.

Then just shifting to the AI HPC strategy, it seems like the market is constantly evolving at this point here on the AI HPC side. Criteria is becoming more specific, whether it be training versus inference, location, energization timelines. Can you speak to the level of competition and sourcing new sites and how that may or may not be impacting Hut's strategy here with the development pipeline? Thank you.

Asher Genoot, CEO

Thanks, Bill.

I think the unique differentiator of Hut 8 is our ability to develop this pipeline and the ability to develop energy assets better and faster than many. When we looked at this opportunity from day one, it was never about we have one, two, or three sites that we want to convert to AI, and that's our business, and that's it. It was really about, “All right, there's this big demand for energy. We've always been able to capture that demand and scale to it. Let's cater our development pipeline in order to meet these demands from these different industries.”

I would say over the course of the last year, we've learned a lot. We've built a lot of really deep, meaningful relationships. I actually had a conversation with a large data center operator recently, and we got connected through another counterparty, and they said, "I've been hearing Hut 8's name all around." I'm like, "Look, we're just trying to catch up." Like, "You're catching up pretty quickly. I hear about you guys all over and all good things."

Look, we're very, very fortunate that we've been accepted well. We've built good and deep and meaningful relationships. We understand power. We understand power, both in regulated, unregulated markets. We understand power on a front-of-the-meter basis, on a behind-the-meter basis, and we understand power generation as well when people are talking about islanded facilities.

We own four power generation facilities today that we've operated for well over a year now. I think as we think about what the market demand is, I think we've done a good job of adjusting and catering our development pipeline in order to cater towards that market, and I think that will continue to be our competitive edge as we start showing the market that we can build these asset classes as well. Phase 1 is build and deliver the product everyone knows, and phase 2 is we're going to continue to optimize these digital assets and digital infrastructure like we have historically.

On the Bitcoin mining side of the business, when we think about Tier 0 data centers, the Vega facility, to remind everybody, is a 205-megawatt liquid-cool data center, liquid cooling to the rack, and each rack is around 200 kilowatts per rack density. We're building that for around $400,000 a megawatt. Think about that. Liquid cooling, 200 kilowatts per rack—NVIDIA Blackwells are around 120 to 130—we have fiber connectivity, we have power, and we have cooling, both liquid and air for the air components of the servers, and we're doing that for around $400,000 per megawatt, which is cheaper than I think many people have built air-cooled Bitcoin mining facilities.

Look, I think for us, that's a long-term strategy here in the data center market is how do we deliver what people are thinking of, will Hut 8 deliver traditional Tier 3 data centers? Phase 2 after that is how do we deliver them and how do we deliver them cost-effectively with innovation around that stack as well. You'll see this multi-layered approach as we continue to build over the years to come.

Bill Papanastasiou, KBW

Thanks for that color, Asher, and congrats again on the attractive River Bend acquisition.

Operator

One moment for our next question. Our next question comes from John Todaro with Needham. Your line is open.

John Todaro, Needham

Great. Thanks for taking my question. Congrats on the progress and all the plans for the rest of ’25 and beyond. I guess as it relates to the development pipeline and then maybe specifically at River Bend, do you ultimately think there's going to be a couple of customers at that site, or do you think it would be one? Then, I know Mike asked on this. I don't know if we fully got to it, but has there just been any slowdown in conversation regarding some of the Microsoft news, which we have our own thoughts on, but just wondering if any change in those customer conversations, and then I have one more follow-up.

Asher Genoot, CEO

Sure. Happy to answer. Good to see you again, John.

On the customer side, right now, most of the customers we're speaking to want large-scale campuses and large-scale campuses that have a path towards a gigawatt, especially in new markets that they would go into. We have multiple customers that we're speaking to around different commercialization opportunities. We are having deep and engaging conversations with multiple customers. However, the customers we're speaking to also are looking at large-scale campuses. I do believe, however, long-term, not today, but enterprise will continue to grow, and you'll start seeing multi-tenant campuses as that market continues to grow.

I think today we're seeing ample demand from a large campus site. Then in terms of demand, we haven't seen a slowdown from pre-DeepSeek news and pre-Microsoft news at PTC, which is one of the largest data center gatherings in January, to post-DeepSeek news, post-Microsoft news. We've seen, if not the same, more increased heightened of demand and velocity of those conversations. We continue to see investments on this infrastructure side and on this investment class and continue to dive deep into discussions that we've had.

John Todaro, Needham

Great. That's super helpful.

Then just my follow-up, you had mentioned earlier you want to be very thoughtful about what you share with the market. Some of your peers have announced these, and I'm just wondering if an LOI is considered something big enough that you would share that to the market or if that's something where, I guess on that side, you would almost wait for a finalized lease to be shared. Just any commentary on the distinction.

Asher Genoot, CEO

Yes, John. We've decided not to share LOIs as definitive because, at the end of the day, LOIs lay out the foundation of what the deal is. The definitive documents actually lock people up in those commitments. We think the reason we have decided not to share LOIs is because one, I think it actually hurts the negotiating leverage you have with counterparties when they know that the market is expecting you to close, and if you don't, you're going to hurt then.

They have more leverage in that conversation, and we want to be very thoughtful around the agreements that this quantum of dollars and scale and risk. Our perspective is definitive means that definitive document, not a letter of intent.

John Todaro, Needham

Got it. Understood. Thank you. Congrats on everything so far, Asher.

Asher Genoot, CEO

Thanks so much. Appreciate the support.

Operator

One moment for our next question.

Asher Genoot, CEO

We will run a little bit over to be able to answer all the questions as well.

Operator

Our next question comes from Stephen Glagola with JonesTrading. Your line is open.

Stephen Glagola, JonesTrading

Hey, Asher and Sean. Thanks for the question.

On the River Bend site, I just had a follow-up there. The application noted Hut would lease the facility to a hyperscale tenant, and I just wanted to see if you can confirm if you're still focused on a hyperscaler tenant there or other customer types as well.

Asher Genoot, CEO

The way I think you can think about our customer profile is folks that can actually commit to campuses of this scale and folks that we're able to finance as well, that have the creditworthiness to finance. Obviously, hyperscale is a large category within that set. I think the Louisiana permitting news, we had ideally not liked it to be picked up like it got picked up. We've tried to continue to be restrained and thoughtful in our approach, even though that news got picked up.

Look, any projects of this scale, I think you need a really credit-worthy counterparty in order to be able to finance this thoughtfully and to drive the types of returns that these data centers have the potential of driving.

Stephen Glagola, JonesTrading

Thanks.

Then can you just maybe update us too on where you stand with the natural gas assets as it relates to strategic alternatives?

Asher Genoot, CEO

Definitely. We've shared last year that we'll look at the best and highest use cases of those assets as we progress. Look, we've had a lot of learning, especially as these islanded concepts become more and more mainstream as people think about data centers and how do you build these multi-gigawatt campuses. It's been a great learning ground from us to understand power generation and how we think about that from an islanded campus, but these assets specifically—why don't I pass over to Sean, and he can give a little bit more updates?

Sean Glennan, CFO

Thanks, Asher.

Stephen, thanks for the question. Good to see you today.

As Asher said, these assets, I think gave the team a lot of familiarity with owning and operating power plants, and I think that that's beneficial to the future as we think about islanded generation, as it stands with the plans and where we are with them today. There's a few near-term catalysts, and we're going to see how those play out. I think, generally speaking, we continue to evaluate our options from a strategic perspective there, so stay tuned on news for those as the year progresses.

Stephen Glagola, JonesTrading

Great. Thank you.

Operator

One moment for our next question. Our next question comes from Joseph Vafi with Canaccord Genuity. Your line is open.

Joseph Vafi, Canaccord Genuity

Hey, guys. Good morning, and my congrats also on the progress so far here.

Maybe we start at high level looking at your acquisition and development pipeline. Is there a gating factor here on further site acquisition in 2025, or a rough model? Is there a gating factor? Is it capital? Is it suitability of sites that make sense, operational bandwidth to be able to move simultaneous projects forward? How you're looking at the opportunity if indeed we're right now in a market where some of these scarce assets get acquired, and they get scarcer over time, and I have a quick follow-up.

Asher Genoot, CEO

Thanks for the question, Joe.

Look, all the variables you just talked about, we talk about pretty often. I think it goes without saying, we move at a pretty high velocity across multiple pillars. Even when we head over to our board meetings, they're always surprised by how much we're working on, how much we're doing. We have real constraints as we think about growth.

I think for us, it's less about what are the right opportunities, more so what are the right opportunities that we're going to prioritize. The right opportunities that we're going to prioritize capital deployment, the right opportunities that we're going to prioritize bandwidth and team, and the right opportunities that we're going to prioritize that help build the foundation for the future we're trying to create.

I think we feel very fortunate and grateful that this last year from when I spoke to you all to where we are today, I think the business is completely different. The types of partners that we're working on are different, and the opportunities that are at our fingertips are radically different as well. For us, it's continuing to build on that, continuing to scale, but also being prudent capital allocators and being very, very thoughtful about how we grow and making sure that it's in an accretive manner and that we're prioritizing the highest and best uses of capital deployed for long-term shareholder creation.

I think, Joe, it's a struggle I always face because there are so many things that we can work on in choosing the right ones that can drive the most value. That was, I think, to an earlier question about managed services, Ionic, yes, could we go drive some value there? Can we go and try to get a termination fee we believe we're owed? Yes. Is that the highest and best use of our time that drives the most value for our shareholders today? Probably not.

We've expanded across all areas of the business. Our legal team continues to grow just the amount of velocity of contracts that we do, in contracts we go—every time I speak to Victor, our Chief Legal Officer, he talks about, “Do we need more people? We're doing so many things.” Look, I think we continue to prioritize, and we'll continue to show the market growth in this new year. Last year was about restructure, this year is about growth.

Joseph Vafi, Canaccord Genuity

Great.

Then just switching gears over to Vega BITMAIN agreement. Just if we could double-click there a little bit on maybe potential timeline to hashing. Then what you're looking for at a high level, if you were going to go ahead and exercise that purchase option on that agreement as it stands now. Thanks a lot.

Asher Genoot, CEO

Thanks, Joe.

Our target continues to be Q2 of this year. We're really proud and excited about the progress that we've had. We shared some of those in our socials. Then from an execution standpoint, the beauty about this agreement is we have a great hosting co-location agreement when we start energizing the site, and we have six months to make that decision. Let's hope that Bitcoin continues to run, and that becomes a really easy decision, but ultimately, I don't think we need to make a decision now, and we can make it in real-time as we have that option period to our advantage.

Joseph Vafi, Canaccord Genuity

Great. Thanks, Asher.

Operator

One moment for our next question. Our next question comes from Brett Knoblauch with Cantor Fitzgerald. Your line is open.

Brett Knoblauch, Cantor Fitzgerald

Hi, guys. Thanks for taking my question and congrats on the results.

Maybe just to start off with Vega, I believe you guys previously just said at a minimum, it would be $135 million of annualized revenue, and it seems like it lowered that to $125. Any reason why the reduction there?

Asher Genoot, CEO

Hey, Brett. Thanks for that.

I think as we look at the uptime, I think ultimately, we're looking at what the energy rates are, and we're thinking on a curtailment-adjusted basis. We see that the underlying natural gas prices in ERCOT have adjusted a little bit and we need to adjust for that curtailment. That's the biggest driver there, or maybe $135 again, and if we see energy rates adjust, but it's really adjusting for potential curtailment that we see, which obviously would impact top line.

Brett Knoblauch, Cantor Fitzgerald

Perfect. Thank you.

Then regarding River Bend, could you maybe just touch a bit on what you guys need to do to get that site ready in order to sign a contract from an infrastructure standpoint? Is it building a substation? Have you started building that substation? How much capital do you think you need to put into that site before you could potentially sign a lease?

Asher Genoot, CEO

We've already started moving dirt on that ground, preparing for the switchyard that Entergy Louisiana is building for us. Getting the substation ready to make sure the value of the project and near-term energization continues to do so. We think about that to the overall development cost of a data center. Obviously, that's single-digit percentage points. I think we'll continue to develop in areas that we believe add value to the opportunity, but not take massive capital risk before we've shared with the market what the customer is.

Look, some structures that we've been discussing and seen as well, I think we'll be able to sell to the market after the fact on these things. You don't need a definitive to necessarily start breaking ground. Some customers are willing to have some advanced payments to make sure you keep timelines. I think, look, all that will come to fruition as we share with the market once we have more definitive updates.

Brett Knoblauch, Cantor Fitzgerald

Awesome. Thank you, guys. Really appreciate it.

Operator

One moment before our next question. Our next question comes from George Sutton with Craig-Hallum Capital Group. Your line is open.

Logan Lillehaug, Craig-Hallum Capital Group

Hey, good morning, guys. This is Logan on for George. Congrats on all the progress here this morning.

Maybe just one on the Vega site as we think about that potentially being upgraded down the road for an AI use case. Do you see any difference in the potential end user for an upgraded Vega site as compared to River Bend, keeping in mind that that is ostensibly a hyperscale customer? Would you see Vega being maybe more suited for enterprise customers, or do you see any difference there?

Asher Genoot, CEO

The biggest difference as we think about River Bend, our intention plan is a full Tier 3 data center with all the redundancy that you would imagine at a Tier 3 data center. Vega, we don't have that redundancy that we've built. Actually, a couple of future iterations of this design will include the optionality to be able to add it in right now from a spacing perspective. We just didn't add in the ability to add in the generators and backup in this kind of V1 of our design.

I think honestly as I look into the future, let's use ASICs Compute layer and mining as the analogy. Old miners that were less efficient in those ASICs were sent to places like South America and Africa where there is a cheaper cost of power. Because using the US infrastructure that's more expensive to build wasn't the best and highest use case of that infrastructure.

I think when we think about these projects, and when we think about Vega, it's great for a counterparty that wants speed towards energization. Ultimately, I think long term, it's great for a counterparty that will start caring about how much a data center costs relative to their lease rate. The Blackwells today will not be the newest and greatest hardware, and there will need to be a place that they go to where they're a lot more sensitive on lease rates and energy costs, where today that's not the case.

I think as we're thinking about this ecosystem, we're not just thinking about how do we secure an opportunity today to show the market that we can secure data center contracts and build, but long term, where's our competitive edge, where's our competitive moat, and how do we also build the foundations of that today as well.

Logan Lillehaug, Craig-Hallum Capital Group

That's helpful. That's all for me. I'll hop back in the queue.

Operator

Thank you.

I'm not showing any further questions at this time, so this also does conclude today's presentation. You may now disconnect and have a wonderful day.