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Earnings Call

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Call Participants

EXECUTIVES

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Presentation

Operator

Ladies and gentlemen, good afternoon. My name is Regina and I will be your conference operator today. I would like to welcome everyone to CleanSpark's Second Quarter Fiscal Year 2024 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the floor over to Isaac Holyoak, Chief Communications [Technical Difficulty]

Isaac Holyoak
Chief Communications Officer

Thanks, Regina. Appreciate it, and thank you for joining us today for our second quarter fiscal year financial results call covering the period January 1st, 2024 through March 31st, 2024. Our press release was issued earlier this morning and is available on our website at www.cleanspark.com. 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 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 remain subject to the risk factors disclosed in our most recently filed Annual Report. 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 is my pleasure to turn the call over to Zach.

Zachary K. Bradford
CEO, President & Director

Thank you, Isaac. We've had an exceptional quarter made possible by the hard work of the many quarters that preceded it. In fact, this quarter has been in many ways the payoff for what has been years of careful, measured, and patient building. But rather than see this as a place where we stop to celebrate, I see this as a beginning, a beginning in which we have already laid a strong foundation for the future to come. Post-halving, this foundation of grit, commitment, and importantly, the scale we've developed over the last few years will continue to pay off as we work to deliver exceptional returns to our shareholders during the next cycle.

Our record-breaking revenue and adjusted EBITDA are a testament to our robust operational strategies and market positioning. We recorded $111.8 million in revenue and $181.8 million in adjusted EBITDA. These numbers are impressive on their own. Compared to the past performance and the speed at which we have achieved them relative to our peers, they become more so. Our revenue grew 52% quarter-over-quarter and 163% compared to the same prior year period. Adjusted EBITDA grew 163% quarter-over-quarter and then 12 times over the same prior year period.

Bitcoin production, despite global hashrate growth, stayed strong, even beating our prior quarter's production, placing us amongst the highest producers in the industry. Since the start of 2024, we've experienced exceptional growth with their operating capacity increasing by an impressive 63% in what we believe is the most hashrate added amongst any public miner. Our growth is supported by our newest bitcoin mining facilities in Mississippi and Georgia, and as we announced, moments before the call started, we plan to continue our growth in the great state of Wyoming, which I'll discuss in greater detail later in the call.

I want to pause a moment here to underscore how important our growth has been. We've had a lot of talk lately about the program halving and its impact on miner revenue. What ran under the radar is the fact that we experienced a halving of source already with global hashrates dramatic rise, and even given that rise, we still have grown our production outpacing global hashrate while some of our peers have languished.

We expect to do the same with the program tapping that recently occurred. Among the evidence for this claim is that we've achieved a significant milestone securing our position as the second largest vertically integrated, publicly traded bitcoin mining company in North America. Our current total capacity stands at over 17 exahash per second, distributed across eight owned and operated data centers in Georgia and Mississippi, and colocation facilities in upstate New York and we are not resting on our laurels.

Our efficiency is amongst the best globally emphasizing our commitment to innovation and operational excellence. Efficiency is a crucial metric in every aspect of our business, including our fleet, operations and capital allocation. With capital on hand, we have fully funded all machine purchases. This positions us to continue to thrive post-halving and be highly active in the coming months. We expect to be one of the most measured and active acquirers in the industry. Speaking of machine purchases, we aggressively pursued machine purchases upgrades, notably the acquisition of the S21 Pro miners, enhancing our mining capabilities significantly.

We recently took advantage of an opportunity to upgrade our purchase of the already efficient S21 to the new even more efficient S21 Pro at the same industry low cost per terrahash. The effect of this upgrade is a 17% increase in our total purchased hashrate, adding 3.4 exahash per second. These machines are so efficient that we don't need to add more infrastructure to achieve and recognize these hashrate gains. These new rigs represent the latest advancements in mining technology, setting the stage for our continued success.

Our shareholder returns this quarter have been impressive, reflecting our strong financial health and our commitment to shareholder value. Year-to-date, we have outpaced all our publicly held peers to become the second largest miner by market cap listed on the NASDAQ. Many of these achievements can be tied back to the benefits of scale. I want to drive this home as I think the benefits of scale are grossly overlooked. Many try and find a single metric that levels the playing field between small and large miners, but the playing field isn't level.

A company that has scale can achieve escape velocity with much lower incremental inputs. Consider this. Because we have our scale, we can cover all of our overhead costs with the margins from our bitcoin production, and as a result, all new capacity we add and the resulting bitcoin goes directly to our bottom line. No matter how you slice it, no argument about unit economics matters until scale and the resulting escape velocity is reached. You pair this scale with our solid cash balance, minimal debt, and our significant cash flows. We are set to grow at a lower cost of capital, faster and stronger than many of our peers. I continue to believe that we will have fewer public miners at the end of this year than we started with.

The miners that have not reached the escape velocity of scale, lacking the ability to cover all their overhead costs by bitcoin production will be pulled back down to earth. Now this also creates opportunities for CleanSpark, which we intend to continue to capitalize on in our journey to 50 exahash per second and beyond. Building upon our scale, our unique advantage also lies in our deep understanding of infrastructure needs and the ability to control our own destiny. Being a vertically integrated company or set in another way asset-heavy from the outset, we have always recognized the value that this control provides us as we navigate halving on other market events. There are a lot of variables out of our control, such as bitcoin price, global hashrate, machine prices, and ultimately energy prices. Our strategic approach sets us apart in an industry where variables are constantly changing, allowing us to produce the best results.

I also want to mention the value of holding bitcoin. Our operations produce strong positive cash flows and we've been using those cash flows over the past several months to hold bitcoin or said another way, we have used it to buy bitcoin at a price less than spot. We view our cost of production as a measure equal to a purchase price and our low cost of production has allowed us to not only grow our treasury dramatically, but also benefit our shareholders through the recent and future price appreciation.

We believe setting ourselves up to benefit from the future appreciation is an important strategy as it's the easiest way to pave the way towards a large amount of non-dilutive capital for our shareholders in the future. To do this, we have prioritized the use of equity in our growth, because it's the right way to build long-term value. We've successfully turned equity capital into assets that have provided our long-term shareholders with a significant return on capital. We also believe that bitcoin will play an important role, on not just our balance sheet, but the growing of adoption of bitcoin on other's balance sheets will continue to lead to increased value in the future.

Gary will speak more about this later. Of course, a lot has happened since the quarter ended principally bitcoins price action as well as the halving. The recent bitcoin halving is a pivotal event for the entire industry. For those unfamiliar, bitcoin halving is a scheduled reduction in the reward that bitcoin miners receive for adding new blocks to the blockchain. It occurs approximately every 4 years, effectively halving the number of new bitcoins created and earned by miners before transaction fees.

It's crucial to understand what that means for CleanSpark. Halving has the impact of compressing margins, which means only the most efficient miners can support profitable operations after the halving and prior to any meaningful price appreciation of bitcoin. For some miners, it is a halving. For some miners, it's an offing; and for other miners, miners like CleanSpark, it's an opportunity. It is an opportunity because the reduction in bitcoin rewards is partially offset by changes in the hashrate across the network, which takes time, but we've begun to see decreases.

Miners with efficient and profitable operations can take advantage of this decrease in hashrate as they organically grow their market share. Then, as bitcoin's price appreciates, this halving adjustment can benefit those who are efficient enough to operate through the difficult times. But I want to zoom in a little on this. The opportunity for CleanSpark isn't just in the amount of hashrate that drops off, but in the data centers that become available as a result.

It's easy to get lost thinking about the sheer size of global hashrate. But consider this. We are about 3% of the global network. That means that the most recent decrease in the network hashrate of about 15% means data center space equal to approximately 5 times the size of our company has become available, that we can then optimize and upgrade at a multiple with our superior operations if we choose to acquire it. This represents the potential size of the opportunity for turnkey growth in addition to the organic growth plans we already have.

At CleanSpark, we are navigating this new era with our characteristic discipline and focus on returning value to our shareholders. We built and maintained our strength through advanced strategic planning and active power management at our operations. For example, in addition to actively managing our power, we continually optimize our operations through hardware and software improvements to keep the cost of mining or hash cost, below the revenue generated per hash or hash price, ensuring profitability despite market fluctuations. We see hash costs becoming an increasingly important and easy-to-digest variable for shareholders to use when they are evaluating publicly traded miners. Hash cost considers primarily fleet efficiency and power costs to deliver a more standardized metric.

And of course, the best power prices and the most efficient fleets are meaningless if the operator cannot maintain exceptional uptime across their portfolio. Our existing data centers have performed exceptionally well, each designed to maximize output and efficiency. What that means is that we have an industry-leading hash cost and a track record of effectively managing that cost. Our internal analysis places our current hash cost around $32. We're not just expanding our fleet with additional machines, we're also upgrading existing equipment. A recent exercise of the option for 100,000 S21 Pro miners is a testament to this approach and aligns with our long-term strategic goals.

Importantly, it will exert significant downward pressure on our hash cost, giving us an expected hash cost as low as just under $28 once the S21 Pros we have ordered have arrived and are deployed. Compare that to the hash price, which as of this call is around $50. We expect to see continued hash price improvement, but in the interim, we see current hash price as a meaningful correction in a very crowded market while we wait for the continued price appreciation.

Although hash price is a good measure, we think it's ever more important to consider the all-in hash cost, or, said another way, the all-in cash cost to operate the business including overhead to produce hashrate. I will repeat what I said earlier. A company must be capable of covering its cost with its production post-halving to achieve escape velocity, and miners lacking scale or with less efficient corporate overhead practices will never beat miners operating at large scale that cover these costs without requiring outside capital inputs. In summary, as we move forward in this new phase of bitcoins' lifecycle. CleanSpark is exceptionally well positioned to continue thriving. Our proactive strategies and relentless pursuit of operational excellence are key differentiators that set us apart in this competitive landscape. We have grown tremendously over the quarter and over the last year and we plan to continue to grow.

As of this time last year, we were operating at 6.7 exahash per second, meaning, we've grown at an annual rate of over 150% and we have no intention of slowing down as evidenced by the announcement we just made. I'm particularly pleased to discuss in greater detail our expansion into Wyoming. With this acquisition, our geographic footprint is expanded and it's the next step to meet our growth targets.

We announced definitive agreements for two sites just outside of Cheyenne, Wyoming. The first site will provide 45 megawatts, and the second site will provide 30 megawatts. Upon completion, this is expected to support a total of approximately 4.2 exahash per second. We'll promptly break ground on infrastructure with the target of having the sites operational in the second half of 2024. In addition to the megawatts already in place, we are working with the utility on a load study that is already underway that we believe will allow us to expand the sites by an additional 55 megawatts for a total of 130 megawatts and an expected 7.4 exahash per second of operational hashrate in Wyoming.

Our approach to acquiring Rackspace and deploying machines is meticulous and strategic. The upcoming expansion in Wyoming exemplifies our ability to identify and capitalize on opportunities that meet our stringent criteria for efficiency and scalability. Once we close the Wyoming deal, assuming we obtain the megawatts under the expansion, we expect our capacity under management to be over 550 megawatts. This new low-cost capacity will continue to support our mission to have a portfolio that ranks amongst the lowest average cost of energy in the entire industry. We have a solid track record of buying quality sites and then expanding them and expect Wyoming to be no different. For example, Washington, Sandersville and Dalton are the most recent examples of successful expansion, and we plan to do the same with Wyoming.

Before transitioning to how we see the next few quarters developing, I'd like to provide an update on Sandersville. As you are aware, the facility is operating at 180 megawatts of the 230 megawatts that we expected. The utility's 50-megawatt transformer has not yet passed the required test before it can be shipped to the newly built substation next to our operations. While we do not have a specific time estimate for energization, the city of Sandersville is working in earnest to ensure the work needed is completed as promptly as possible, and we will share more updates as soon as we receive them. As we look ahead, the dynamics within the bitcoin mining industry are shifting. We anticipate significant consolidation in the coming years, a trend that will likely widen the performance gap between the top-tier miners and the rest of the field. This shift isn't only about scale, it's about strategic positioning and operational efficiency, which are areas where CleanSpark continues to excel.

The ongoing consolidation in our industry is necessary. It's akin to a market bloodletting. While this process won't occur overnight, it's an inevitable step towards a more mature and economically sustainable sector. As less equipped miners, struggle to keep pace, well-positioned companies like ours will thrive. At CleanSpark, we favor growth through targeted acquisitions over mergers. Our approach allows us to integrate operations seamlessly and leveraging our existing efficiencies. A prime example of this strategy is our recent acquisition in Wyoming, which not only expanded our operational footprint but did so under favorable economic terms, reflecting our commitment to smart growth.

Our M&A strategy, the CleanSpark Way, is rigorous. We review dozens of opportunities but choose only those that meet our strict criteria: efficiency, valuation, power accessibility, and community engagement. Allow me to spend a moment addressing each of them. Efficiency. Our operations are designed to maximize output with our watts producing in some cases as much as twice the bitcoin as some competitors. Valuation. We pursue acquisitions that offer substantial value, not just on paper, but in real operational terms. Power accessibility. Access to current and future low-cost power resources is crucial, ensuring sustainability and scalability. Community engagement. We prioritize acquisitions that allow us to maintain and enhance relationships within local communities, allowing our growth with broader social values.

With that in mind, we are reaffirming our path to 50 exahash per second in 2025 and continue to target 32 exahash per second coming online at the end of this year. We expect to reach those goals through the acquisition of facilities that we can then put our machines in. I'd like to conclude by thanking our teams for their incredible work over the quarter. I believe our team set records for the fastest deployment time in our industry at Sandersville, racking and energizing machines with an expediency that showed the type of grit and resiliency that has become central to our culture.

In line with that grit and resolve, I'm especially pleased to welcome two key colleagues to the executive management team. As announced yesterday, we promoted Scott Garrison to Chief Operations Officer and Taylor Monnig to Chief Technology Officer. Scott and Taylor are examples of CleanSpark's commitment to excellence and the CleanSpark Way. Their leadership and grit have been instrumental in positioning CleanSpark as a top operator at scale in the industry. I speak often about our best-in-class teams, and Scott and Taylor have both helped build and lead these teams to great height. They are instrumental in our continued success as our teams grow and gain even greater expertise to match the task ahead of us on our path to 50 exahashes and beyond. I greatly look forward to this next phase in CleanSpark's journey as we work together to continue delivering value to our shareholders and the greater bitcoin ecosystem.

With that, I'd now like to turn the time over to Gary to review the quarter's financial results in greater detail.

Gary A. Vecchiarelli
Chief Financial Officer

Thank you, Zach. Hopefully you've all seen our press release and form 10-Q released early this morning. I'm happy to review our record results for the fiscal second quarter, which is a direct result of our thoughtful strategy and the grit and execution of our many team members. For the second quarter, we recognized $111.8 million of revenue, an increase of 163% over the same quarter last year. Compared to the preceding first quarter, we saw revenues increase 52%, or $38 million. These increases in revenue were not only driven by increases in bitcoin prices but also increases in our hashrate, which yielded increased bitcoin production.

To give you context, at the end of Q2 last year, we had almost 68,000 machines in operation, representing 6.7 exahash. At the end of Q2 this year, we had approximately 134,000 machines deployed, representing 16.4 exahash. The average revenue per bitcoin more than doubled between the year-over-year periods as our Q2 2023 average revenue was approximately $23,000 and this quarter our average was $55,000. When compared to our immediately preceding first quarter, our hashrate increased over 60% from 10.1 exahash to 16.7 exahash. Our revenue per bitcoin in Q2 increased over 50% to $55,000 as our revenue per bitcoin in Q1 was almost $37,000.

CleanSpark's mining economics remained healthy through the second quarter as we saw gross profit improve 21 points over the same quarter last year and eight points over the first quarter. Our market-based approach to power has helped with our margins as we saw wholesale power costs as low as $0.013 per kilowatt-hour in the second quarter. For our wholly owned locations, our all-in costs for the second quarter were a favorable $0.043 per kilowatt-hour. This all-in cost represents wholesale costs of energy plus transmission and delivery costs, plus the margins and taxes -- sales taxes to the utilities and communities we operate in. We did experience slightly higher hosting fees of $0.075 per kilowatt-hour at our colocation, but it is important to note that this agreement includes a profit share which due -- which is due to the rise in bitcoin price, which drove most of this cost.

However, our colocation is less than 10% of our total operating hashrate and 12% of our total megawatts operational. This further underscores the importance of our infrastructure first strategy where we want to own and operate our own facilities. The company posted record net income of $126.7 million, or $0.59 earnings per share, compared to a net loss of $18.5 million, or a loss of $0.23 per share in the same quarter last year. Our net income in the first quarter was approximately $26 million, or $0.14 earnings per share, which is an improvement of over $100 million, or $0.45 per share between the two quarters.

I want to point out that the company early-adopted fair value accounting for bitcoin in Q1 of this year, which marks the company's bitcoin holdings to the fair value as of the balance sheet date. In the second quarter, we recognized a gain on fair value of almost $120 million. While this amount is unrealized and non-cash, I want to call out our HODL strategy. We saw our total bitcoin holdings grow by over 2,000 bitcoin in the second quarter alone as we kept nearly 100% of our bitcoin production for the period.

Since we can produce bitcoin at prices lower than it can be bought on the spot market, we see our HODL strategy as another strategic move in acquiring assets, which will provide shareholders with accretive value, particularly in this bull market where we expect price appreciation. Our adjusted EBITDA for the second quarter was approximately $182 million, which is an improvement of 1.6x over the preceding first quarter. Included in the second quarter adjusted EBITDA was approximately $120 million related to the fair value adjustment, which when removed shows our mining operations contributed approximately $60 million to adjusted EBITDA and represents 50% cash adjusted EBITDA margins.

Looking at specific line items on the income statement, our payroll expense did increase approximately $1.5 million or 10% in the second quarter compared to the immediately preceding first quarter. This is due to additional hiring at our wholly owned locations and several new positions at our corporate office. Note that our total megawatts operational increased 51% between the quarters with the Sandersville expansion and Mississippi acquisitions coming online. In the second quarter, we saw an increase in our G&A expenses of approximately $1.8 million, or 36% compared to the first quarter. So I've mentioned on previous calls, we have achieved scale whereby we do not expect our corporate and G&A expenses to grow parallel to our revenue. However, as we continue to grow our megawatts owned and expand our footprint, we do expect increases in our indirect expenses.

With G&A specifically, I want to call out two items, which comprise the majority of this $1.8 million increase. Foremost, we expensed approximately $0.5 million related to shipping miners from a storage facility to the Sandersville location. We stored many of our XP machines in a secured facility prior to racking them for the energization at Sandersville. So this is an expense that will not recur in future quarters. Also including the $1.8 million variance is an additional $1.2 million of property tax expenses related to our estimated property tax for the 2024 tax year. This was driven by the large amount of assets, primarily miners, that we owned on January 1st, 2024, the moment in time for which jurisdictions assess tax and the value of personal property owned. We will see increases in property taxes throughout this calendar year in excess of the prior calendar year due to the significant increase in assets we have acquired and deployed.

However, any new assets acquired after January 1st of this year will not have assessments and the associated expense until next year. As we continue to grow our asset base, this expense will also grow, which I estimate to be between 1.25% and 1.4% of the book value of property and equipment. As we expand into new jurisdictions, we are taking advantage of tax incentives where available, and we are optimistic given the conversations we have been having with current and new jurisdictions, then incentives will be available with our further investment.

I want to take a moment to review our balance sheet, which we believe is one of the strongest in the industry. We had total liquidity of $681 million as of March 31st. Of this amount, we had $323 million cash and 5,021 bitcoin valued at 5 -- $358 million. Additionally, we had $161 million of cash paid deposits for miners in transit and total assets of over $1.5 billion. Our balance sheet remains very healthy with virtually no debt as we continue to pay down our loans payable, which now total less than $13 million. As we've been discussing for well over a year now, we've been preparing the company for the halving event, not just operationally, but financially. Operationally, we have one of the most efficient fleets in the world currently and we only expect that efficiency to get better as we deploy the latest generation S21 miners. This new generation of miners will not only increase our hashrate, but also increase our efficiency and decrease the cost of energy per terahash.

We've also discussed in prior calls that our financial preparation for halving will not only give us the ability to weather the decrease in block rewards, but also take advantage of opportunities that present themselves after the halving. As we predicted, we are seeing distress among smaller miners who have less efficient fleets or do not have liquidity or access to capital. Let me underscore the importance of access to capital and being good stewards of that capital. For example, we have raised approximately $1.4 billion since we entered the bitcoin mining business in December 2020. Using this capital, we have grown this company to a market cap of almost $4 billion, which represents our ability to find accretive means to deploy capital.

We continue to see opportunities for tuck-in acquisitions which are accretive and where we will be able to bring our operational expertise and strong balance sheet to grow our hashrate and efficiency even further.

With that, I'll turn the call back over to Isaac to open the floor for questions.

Isaac Holyoak
Chief Communications Officer
Thanks, Gary. We will now open the floor to questions from the analyst community. Operator, please provide instructions and manage the queue for the Q&A session.

Question and Answer

Operator

Thank you. Ladies and gentlemen, at this point, we will begin the question-and-answer session. [Operator Instructions] And your first question comes from the line of Mike Colonnese with H.C. Wainwright. Your line is open.

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

Hi, good afternoon, guys. Great quarter and congrats on the new acquisitions. Great to see you here. First for me, if you could just walk us through the expected construction and energization timelines for these newly acquired sites in Wyoming and really how you guys are thinking about the power strategy and the electricity costs for these facilities?

Zachary K. Bradford
CEO, President & Director

Yes. Hey Mike, thanks for joining the call. So as we mentioned, there's two sites, one at 45 megawatts, one is 30 megawatts. One of those sites is already partially ready where the utility lines are in place for us to drop transformers right on top of it and continue to build. So we think that the 45 megawatts optimally can happen in quite a short period of time. I don't have anything specific on that, but we do think it can happen inside of 120 days is our target right now. More to come on that where I can provide a more detailed timeline.

Probably in the next -- I call it in the next three weeks. After that, the 30 megawatts, it's totally Greenfield. The utility is available basically at the property line. So it'll be a little bit more construction. But we're going to run both of these projects in parallel is the plan. So the target is to have all 75 megawatts built out before the winter kicks in, is the goal. Obviously, Wyoming, one of the reasons we really like it is for the ambient air temperature year-round is much cooler. But with that also comes winter and snow. So our goal is to get everything built before a winter freeze happens in late October, early November.

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

That's great. Super helpful color. And how has the M&A landscape and conversations you've had evolved since the halving in the subsequent drop in hash prices we've seen? Is there a general profile of potential sellers that you've observed in your conversations? And then also be curious to see is there a specific range you're looking for as it relates to the scale of these mining facilities. Could we see -- I know you mentioned additional tuck-ins in the future, but how should we think about the megawatt of power capacity for any potential future acquisitions that you look at? Thanks.

Zachary K. Bradford
CEO, President & Director

Yes, so the landscape has opened up quite a bit. We have historically always kept a dozen names in a pipeline that we kind of rotate through saying no to a lot of opportunities. I'd say that the opportunities are continuing to grow. It was interesting because, at the halving, there was the fee event where for a few days, transaction fees spiked. And I think it breeds some hope into some miners that were less efficient.

And now that a few days or weeks have gone by, we've seen kind of the -- a few of them give up. A lot of incoming calls, a lot of opportunities that exist. Now as it relates to size, we're really open to anything. Now the benefit we have is with the access to capital and the tools we have in place, big or small, works great for us. We've already proven that we can accomplish a lot with a little. If you look at how we did Dalton, we started that location with 20 megawatts and have since added on top of it and will continue to grow.

Same thing in Mississippi. We have three sites. Some are small, some are large, and we have ability to continue to grow in Mississippi. So for us, I think that the importance is if it's a small site, what is the ability to grow in the surrounding area or if it's a large site, what scale are we going to get? What I will say, I made the comment about how we prefer acquisitions over mergers, and that's because sometimes mergers are harder to do. In order to gain the efficiencies that need to come from a merger, it means that the -- there's largely going to -- there's likely going to be overhead that needs to come off.

And so I think that that is still conversations that are open and happening. They are happening, but it's going to be something where the more large-scale companies that do have a lot of overhead. They're going to be -- they're slower coming to the table because, of course, it means that part of their overhead operations won't exist afterwards because we are positioned to absorb that. So how we're thinking about it is, I think private is the quickest path to adding megawatts. Public will come later, but it's going to come whenever the other side is ready to let go of some of the overhead and ultimately the salaries that are involved in that.

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

Really interesting color. Thanks for taking my questions, Zach.

Zachary K. Bradford
CEO, President & Director

Absolutely.

Operator

And your next question comes from the line of Brian Dobson with Chardan Capital Markets. Your line is open.

Brian H. Dobson
Chardan Capital Markets, LLC, Research Division

Thanks so much for taking my question. I guess just to follow up on your investment in Wyoming can you speak a little bit to the call, it relationship with the utility or local municipality that may have led you to choose this as a site for expansion?

Zachary K. Bradford
CEO, President & Director

Yes. Brian thanks for joining. Wyoming has been a state where there's a lot of support. You have Senator Lummis there who has really been an outspoken supporter of bitcoin and really blockchain technologies. In the state of Wyoming, there's actually a blockchain rate that we are going to get access to as part of this. And so in addition to that, there's a lot of abundant power. So wholesale power prices are incredibly low cost. And that's really what drew us. There is a very strong political environment and support of bitcoin and then a utility that is so welcoming to it that there are rates established around it.

So from a relationship side, we've had conversations off and on with many utilities, but this is one of those utilities that we've spoken to -- for -- as far back as 3 years ago. And we put down conversations, picked them back up, and we decided now is the right time. So, these -- I think that's another benefit that we don't speak about often enough is we spend a lot of time building relationships and the credibility that we've been able to gain in the communities we do operate in. It then carries over so that when the communities are ready to embrace bitcoin mining and CleanSpark. We're one of the first calls that can come in.

Brian H. Dobson
Chardan Capital Markets, LLC, Research Division

Excellent. Thank you very much. That's great color. As you're thinking about the M&A environment in the back half of the year, do you think you could elaborate on potential funding sources for an acquisition?

Would you be looking at equity? Would you be looking to use coin? Or would it be potentially a mixture of both?

Zachary K. Bradford
CEO, President & Director

We would probably look at cash on the balance sheet and also equity. We're at a stage too, where there are small groups, private, public, both sides, that of interest to them is not selling and giving up, but it's really joining the team. And as part of joining the team, they would take equity. Historically, almost all of our transactions where we've acquired companies, it's been in the form of cash, because the other parties needed cash to pay off debts or obligations, things like that. So they didn't have a choice.

Some of these operations now, again, it's about joining the team. And so I think that we could see an acquisition even where equity is the sole use that we have, where they become shareholders. It's not an issuance of -- into a raise, but instead where they fold in and become part of the CleanSpark team.

Brian H. Dobson
Chardan Capital Markets, LLC, Research Division

Yes, very good. Thanks. I'll hop back in the queue. Thanks very much.

Zachary K. Bradford
CEO, President & Director

Thanks, Brian.

Operator

And your next question comes from the line of Reggie Smith with JPMorgan. Your line is open.

Charles Bonner Pearce
JPMorgan Chase & Co, Research Division

Hey, thanks for taking the question. This is Charlie on for Reggie. I was hoping to get a few more details on the two Wyoming sites. First is the 40-megawatt site, was that site already being used for bitcoin mining? And then second question related to the 30-megawatt site. Have you guys built out a facility from scratch before? I know your recent acquisitions have been turnkey. Just wondering what experience you have in building out a Greenfield site. Thanks.

Zachary K. Bradford
CEO, President & Director

Hey, Charlie, thanks for joining the call. I'll address the build-out. We just finished 150-megawatt build out. Before that, we built out 80 megawatts. Before that, it was 20 megawatts and before that, it was 30 megawatts. So, we have quite a few megawatts in a lot of different locations under our belt. So I consider us pros on the build outside. As it relates to these sites, the 45 megawatts site, yes, has been used for bitcoin mining. But as part of the purchase, the seller is taking the equipment with them, which we're okay with. Because we like the sites to be built the CleanSpark way. As we mentioned, we prioritize high uptime as one of our key tenants. And so we will be adding in infrastructure to support that tenant of high uptime.

And again, the benefit though is some of the utility side is already done. So our goal is to be able to come in, drop transformers, drop the infrastructure quickly. And so even though the other party will be removing their infrastructure, which is in the form of pods, we should be able to drop things in right on the back end of it very quickly.

Charles Bonner Pearce
JPMorgan Chase & Co, Research Division

Got it. And then, in terms of longer lead-time items like transformers, maybe I just missed it, but are those staying on-site or do you have those on hand and you're going to be bringing in your own? Any details there would be great.

Zachary K. Bradford
CEO, President & Director

Yes, we stay ahead of the curve by actually buying more infrastructure than we have immediately going on. So we have over 50 megawatts of transformer and switchgears already ready to go. So that will be our jumping-off point. We have strong relationship with these manufacturers with the ability to ramp up their supply chains. So in this case, as of right now, we do not see supply chain constraints impacting these at all, because we already have a very large portion of the 75 megawatts already secured.

Charles Bonner Pearce
JPMorgan Chase & Co, Research Division

Perfect. Thanks for taking the question.

Zachary K. Bradford
CEO, President & Director

Hey, appreciate it. Thanks, Charlie.

Operator

And with no further questions, I would now like to turn the call back to Mr. Isaac Holyoak for closing remarks.

Isaac Holyoak
Chief Communications Officer

Thank you, Regina. And thank you to all who joined our earnings call today. We look forward to sharing more of our journey with you in the coming quarters. Stay tuned for more groundbreaking events from CleanSpark.

Operator
Ladies and gentlemen, this concludes today's call and we thank you for your participation. You may now disconnect.