

# CAN Earnings Call Transcript

**Date: 2025-08-14**

**Quarter: 2**

Operator: Ladies and gentlemen, thank you for standing by, and welcome to Canaan Inc.'s Second Quarter 2025 Earnings Conference Call. [Operator Instructions] Please note that this event is being recorded. Now I'd like to hand the conference over to your speaker today, Ms. Gwyn Lauber, Investor Relations each of the company. Please go ahead, Gwyn.

Gwyn Lauber: Thank you, operator. Hello, everyone, and welcome to our earnings conference call. Joining us today are Chairman and CEO, Nangeng Zhang; and our CFO, Jin James Cheng; Leo Wang, Vice President of Capital Markets and Corporate Development; and Xi Zhang, Senior IR Manager, will also be available during the question-and-answer session. Our CEO will start the call by providing an overview of the company and performance highlights for the quarter. Our CFO, and will then provide details on the company's operating and financial results for the period before we open up the call for your questions. Before I begin, I would like to refer you to our safe harbor statement in our earnings press release. Today's call will include forward-looking statements. These statements include, but are not limited to, our outlook for the company and statements that estimate or project future operating results and the performance of the company. These statements speak only as of today, and the company assumes no obligation to revise any forward-looking statements that may be made in today's press release, call or webcast, except as required by law. These statements do not guarantee future performance and are subject to risks, uncertainties and assumptions. Please refer to the press release and the risk factors and documents we file with the Securities and Exchange Commission including our most recent report on Form 20-F for information on risks, uncertainties and assumptions that may cause actual results to differ materially from those set forth in such statements. In addition, during today's call, we will discuss both GAAP financial measures and certain non-GAAP financial measures, which we believe are useful as supplemental measures of the company's performance. These non-GAAP measures should be considered in addition to, and not as a substitute for, or in isolation from, GAAP results. You can find additional disclosures regarding these non-GAAP measures including reconciliations with comparable GAAP results in our earnings press release, which is posted on the company's website. And finally, please note that during the call, all dollar amounts refer to U.S. dollars. With that, I will now turn the call over to our Chairman and CEO, N.G. Zhang. Please go ahead.

Nangeng Zhang: Thank you, Gwyn. Hello, everyone. This is NG, CEO of Canaan. Welcome to our earnings call. Together with our CFO, James, we are in our Singapore headquarters to share our Q2 2025 business results and business updates with you. This past quarter marked the first anniversary since the most recent Bitcoin [indiscernible], and we are delighted to celebrate Bitcoin's all-time high price in recent days. We are pleased to report the strongest quarter -- quarterly results in the current Bitcoin cycle and also the best quarter in the past 10 quarters since Q3 2022. Total revenue for Q2 reached \$100.2 million, up 40% year-over-year, breaking the \$100 million mark. Gross profit rose to \$9.3 million, a significant increase from \$0.6 million in Q1. Operating loss narrowed to \$27.1 million. EBITDA turned profitable at \$1.68 million and adjusted EBITDA reached \$25.3 million, both hitting record high since we began reporting these metrics in Q1 2024. We attribute our strong results this quarter to three main factors: the higher and the stable Bitcoin price, our quick and effective response to the new tariff policy environment, and the rapid growth of our home use Bitcoin mining product line. Throughout the quarter, Bitcoin remained strong, rising from around \$75,000 at the start of the quarter

to the peak of nearly \$120,000 by late May, and then staying at a high level with some volatility. At the same time, total net worth cash rate also stayed high, which kept mining margins and the pressure. The hash price in Q2 moved up overall from a low of about \$48 per petahash per day to a peak of \$58 per petahash per day in May. In addition, during this quarter, many countries were affected by the recyclical tariff policy, which includes the import cost of equipment for U.S. mining customers and brought a lot of uncertainty to global trade. This led many U.S. customers to delay building money sites or deploying hash rate. Facing these challenges, our sales, supply chain and the compliance teams worked closely together and focused on markets outside the U.S., delivering strong performance that offset the negative impact from the U.S. markets weaker business environment. Our product sales reached approximately \$72 million, including \$55.9 million from Avalon Industrial Mining Solutions and \$5.7 million from the Avalon Home-Use Miner Series. In Q2, we delivered a total of 6.4 million terahashes -- terahash per second of computing power with an average selling price of \$11.10 per terahash. Our Avalon Home Miner product line delivered strong performance this quarter generating \$5.7 million in revenue, a sharp increase of 359% from \$1.3 million in the previous quarter and maintained a gross margin of 13%, which is higher than that of our institutional mining machines. This segment now accounts for over 5% of our total revenue. What is most remarkable is that this growth was achieved despite the challenges of high summer temperatures and rising electricity costs. Looking ahead, we will continue to rapidly expand the home use mining market especially in heating-related application scenarios, where energy that might otherwise be wasted can be turned into additional value. In Q2, ourself-mining operations produced 284 Bitcoins, up about 9.4% from 259 Bitcoins in the previous quarter, benefiting from the rise of Bitcoin prices during this period. Our mining revenue reached a record \$28.1 million, an increase of over 15% from \$24.3 million in Q1. At the end of June, our total installed mining capacity worldwide reached 8.15 extra hash per second with a 6.57 extra hash per second already in operation. Last week, we also released our July Bitcoin production and mining operations update, showing continued progress in our mining business. By end of July, our Bitcoin treasury had reached 1,500 [indiscernible] Bitcoins. This brings us to our next topic, our Bitcoin treasury. Historically, we have increased our Bitcoin treasury in three ways: first, by accepting Bitcoin payments for mining equipment. Second, by earning Bitcoins through our mining operations; and third, by directly purchasing Bitcoins in the open market. Looking back at this Bitcoin cycle, we have steadily accumulated Bitcoins at all stages. In recent quarters, our cash cost of mining has constantly been lower than the average market price of Bitcoin during the same period. While the cost of acquiring Bitcoins may fluctuate from quarter-to-quarter, its long-term value has continued to rise. This is why that money remains a profitable strategy for us even during bare markets. At Canaan, we are proud to be one of the few companies in the Bitcoin ecosystem that truly achieves vertical integration. Vertical integration is not just about mining Bitcoin. We design and manufacture our own ASIC chips and the mining machines. We operate our mining business better with partners around the world. And we follow a disciplined(sic) treasury strategy to accumulate Bitcoins at attractive price levels. These three pillars work together to help us lower the cost of acquiring Bitcoins, reducing operational risks and maintain strategic flexibility through our Bitcoin cycle, all while steadily building -- enhancing our Bitcoin treasury. Since our founding, we have always delivered -- believed that Bitcoin is both a global asset class and the foundation of entire cryptocurrency ecosystem. Likewise our business expands to global and does not rely on any single country or customer growth. Our ability to adapt, flexibility across different markets and supply chains has helped us achieve steady improvements through market cycles and policy changes. We have a strong reputation in many countries, especially in United States, which has earned us repeat orders from some of the most respected mining [indiscernible] in the industry. In R&D; and supply chain, our A-16 series is now in the chip packaging and taxing stage, and will soon move into full machine testing. We are making every effort to bring A-16 series to market as quickly as possible. On the supply chain side, our manufacturing capability in U.S. is now up and running. Can be mentioning our existing capacity in Malaysia. This allows us to meet back delivery needs for U.S. customers with only a modest cost increase. This includes fulfilling part of the order from the listed company, Cipher, in Q3. Recently, we also secured a follow-on order from Cleanspark for our A-15 emerging cooling model, showing strong customer recognition of our products and services. As a U.S. listed company committed to 100% compliance, our customers have great confidence in the

compliance of our offerings. In today's already volatile trade environment, reducing potential regulatory risks for our clients is more important than ever. Looking ahead, we will continue to follow our unique full cycle strategy, our vertical integration, disciplined Bitcoin treasury management and ability to flexibility shift between self-mining and Bitcoin purchase when market conditions are right. Give Canaan a clear edge at every stage of the Bitcoin cycle. By designing and producing our own hardware, operating, mining under the most favorable conditions and steadily building our Bitcoin strategy, we have established a clear competitive advantage. One that allow us to keep accumulating Bitcoins at a cost lower than the market price, even in challenging environments. Our ongoing commitment to build a company with both resilience and agility, leveraging the advantages of vertical integration to grow our Bitcoin assets, protect shareholder value and seize every market opportunity. We believe this strategy will carry us through short-term volatility and deliver long-term, stable and outstanding returns. It will also position Canaan as a leading institution in both technology innovation and Bitcoin treasury management. We will continue to focus on North America as our core expansion region, strengthening product execution and customer service, while closely monitoring and policy changes to adjust our strategy, seize opportunities and mitigate risks. In summary, based on the current situation, we remain cautiously optimistic for Q3 2025 with revenue expected to be in the range of \$125 million to \$145 million. This forecast is based on the present market and operational conditions, and actual results may vary given recent policy uncertainties and market fluctuations. This concludes my prepared remarks. Thank you, everyone. Now I will hand it over to our CFO, James.

James Jin Cheng: Thank you, NG, and good day, everyone. This is James, CFO of Canaan. I'm very glad to share our Q2 financial results with you today. As NG stated, at the start of the call, we are firmly committed to vertical integration in the Bitcoin ecosystem. Our vertically integrated model encompassing the entire chain of R&D, manufacturing and sales of mining equipment, self-mining operations and pivotal currency treasury management positions us uniquely. With the cryptocurrency industry and Bitcoin ecosystem gaining increasing attention and support globally, we are confident that our forward-thinking strategic investment is demonstrating its sustained value potential. We are pleased to report record quarterly results with both the peak of the current Bitcoin cycle and the highest performance in the past 10 quarters following Q3 2022. Let me give a quick summary of our financial performance. First, we reported strong Q2 results with total revenue of \$100.2 million, not only exceeding our guidance, but also reaching \$100 million quarterly milestone and representing a 40% year-over-year increase. Our product sales delivered a robust performance with revenue of \$72 million, an increase of 23% quarter-over-quarter and up 17% year-over-year. In Q2, we experienced a softening U.S. demand under the pressure of tariff uncertainties while continuously delivering some early booked contract sales orders from U.S. customers. We were also working hard to expand our distribution channels in Asia. With our efforts our average selling price or ASP increased to \$11.10 per terahash per second, reaching a new quarterly high in the past 2 years. Turning to the revenue from our Avalon Home series. In quarter 2, we delivered approximately 13,000 units of our Avalon Home products, contributing revenue of approximately \$5.7 million, and reaching the gross profit margin of 39%. As of August the 13th, unfulfilled orders and finished deliveries in quarter 3 totaled \$9.5 million. Second, our mining business also recorded its best quarterly performance. Our mining revenue surged 202% year-over-year to \$28 million. We mined 284 Bitcoins in the quarter, up 101% year-over-year. Our deployed hash rate expanded 23% from 6.6 extra hash per second at the end of quarter 1 to 8.15 extra hash per second at the end of quarter 2. In quarter 2, more than 10,000 mining rigs were newly deployed in our American projects and the installed computing power in America reached 3.66 extra hash per second at the end of quarter 2. Next, driven by the strong results of machine sales and mining operations, our profitability sold both sequentially and year-over-year. Gross profit came in at \$9.3 million compared with \$0.6 million in quarter 1, also setting a record high for the first time since quarter 3, 2022. Adjusted EBITDA achieved a gain of \$25 million, a significant turnaround from the prior quarter's loss of \$38 million. Our basic and diluted net loss per ADS narrowed to \$0.03, representing the lowest loss in the past 10 quarters following quarter 3, 2022. Last but not least, we maintained a solid balance sheet with over 1,480 Bitcoins with a market value of approximately \$160 million at the end of quarter 2. We continue to manage our Bitcoin reserves to generate sustainable outperformance. Turning to the expenses. Our operating expenses totaled approximately \$36 million, remaining flat

sequentially. As previously announced, we are steadily progressing with the exit of our AI business. Once completed, this is expected to significantly reduce operating costs although there will be a onetime expense related to organization optimization in the short-term, the overall operating expense structure will become healthier. By the end of second quarter, the price of Bitcoin increased to around \$107,000 versus around \$83,000 at the end of the first quarter. The increased Bitcoin price on the last day of the quarter resulted in an aggregate unrealized fair value gain on crypto assets of \$34 million. The noncash accounting treatment for the fair value change of the preferred shares hit our quarter 2 bottom line with \$17 million consisting of \$8 million from the Series A1 preferred shares converted during this quarter and \$9 million from the remaining unconverted Series A and Series A1 preferred shares at the quarter end. In order to represent our performance more accurately, and more comparably, we have excluded the impact of this accounting treatment for our non-GAAP measures. Turning to our balance sheet and cash flow. In quarter 2, we paid \$41 million to secure our [ wafer ](sic) supply, \$62 million for production and operations and \$5 million prepaid for our share repurchase program. The cash outflow aforementioned was offset by cash inflow of \$66 million from sales, \$7 million from export VAT refunds and \$4 million from ADI program reimbursement. Consequently, at the end of quarter 2, we held cash of \$66 million on our balance sheet. Now turning to our Bitcoin assets. Bitcoin held as our own holding assets increased in the quarter, reaching a record high of 1,484 Bitcoins as of June 30th. This is 76 more than 1,408 at the end of the first quarter. On June 30, 2025, the fair market value of our owned Bitcoins totaled around \$160 million, and our hold gain was approximately \$82 million higher than the original value of the Bitcoins that we gained from mining or other operations. As of July 31st, our total Bitcoin treasury increased to 1,511 as already disclosed. As announced recently, by the end of July 2025, all Series A1 preferred shares have been converted into ADS's and sold. As of the date of the earnings, we have cumulatively repurchased approximately 3.6 million ADS's for approximately \$2.4 million under the share repurchase program. With rebounding customer demand and proven local manufacturing in North America, we will maintain our strategic focus on this core market. Concurrently, we will continue to be agile in response to geopolitical and policy shifts, seizing opportunities while mitigating risks. Given these developments, we expect the revenue for the third quarter to be in the range of \$125 million to \$145 million. This concludes our prepared remarks. We are now open for questions.

Operator: [Operator Instructions] Your first question coming from the line of Mike Grondahl with Northland Capital Markets.

Unidentified Analyst: This is Logan on for Mike. Congrats on the quarter. First, it was nice to see the 6.4 extra hash sold an ASP of \$11.10. Is there anything to call out on current market dynamics, pricing strategy and demand for A15 you guys saw in July and August?

Nangeng Zhang: hi, Mike. Yes, in Q1 this year, first, I give some -- yes. Of course, I'll give some [indiscernible] at the numbers. Bitcoin price now rise to new heights. And demand of A15 today looks somewhat different from when we issued our first year -- first 2025 guidance in January. And in Q1, I think the ASP for our -- the ASP for Q1 is \$10.50 per terahash, and Q2 ASPs rise to \$11.10 terahash. Yes, this is ASP side. But in Q2 there's -- because of the tariff policy, which has increased the overall cost for our U.S. customers. And I think the estimated impact is roughly from like 15% to 25%. And it remains fluctuate. So as a result, many mining customers in the U.S. are still taking -- we will wait and see, but several U.S. orders we announced recently, especially from public listed miners shows that through joint efforts customers are gradually adapting the tariff changes and they are -- will need to purchase. It's coming back. Yes. And also, we have opened our production facilities in the U.S. And now we can deliver machines from U.S. and Malaysia to avoid the tariffs, some of the tariffs, to improve the overall user experience in full service. So I think in the last three quarters, our ASP is increasing. And also ongoing demand outside -- especially outside U.S. for high- performance miners is also growing. So -- and another thing is because the A15, the manufacturing advantage -- process is improving, and the performance is increasing and the cost is slightly lower and lower. So it's supported our ASP and gross margin.

Unidentified Analyst: Great. Thanks for the color there. And then one follow-up from us. Congrats on the Cipher and Cleanspark order during the quarter. Can you guys just provide an update now with the -- I think you said the United States production facility, how is Canaan viewing a strategy for penetrating

the North American market? Is there any updates for how you guys see to grow market share there?

Nangeng Zhang: First, I will say something. And about Cipher's orders, maybe James will add some color after that. I think we have always believed that actively expanding in North America market is the right decision at least in mid and long term. And fully in line with our long-term strategy I think the U.S. continues to send strong policy signals supporting the reason is the signal supporting the cryptocurrency industry. and also American has the world's most true crypto community. And it's home to the largest number of publicly listed mining companies. It also has abundance and diverse power resources, including wind and solar, renewable energy that can support very large-scale deployments. America's culture of innovation and its capital markets ecosystem provides a very strong foundation for institutional miners. Yes. So for us, because the institutional miners always have set habits in site operations, equipment purchasing. So for us, the key to gain more market share in U.S. is to get more customers to try our products first. So our machines must have very clear performance advantages. So customers have good reasons to test our new models. Second is our service quality must be the highest in the industry standard. I think in 2024, North America already contributed about 40% of our total mining machine sales revenue. On the mining side, we already have deployed 3.67 extra hash per second for -- of mining hash rate in this region. In Q2, our mining revenue in North America reached a record high of \$28 million. And this year, we -- as I mentioned, we also established manufacturing capacity in U.S. This is all solid for long-term growth in North America. In short-term, I think the changes in business environment and policies earlier this year slowed our expansion pace in U.S. So -- but we make adjustments and some -- and I think the most transit period is now behind us. Key metrics are recurring, and we remain confident in long-term potential of North American market.

James Jin Cheng: Yes. I will add some color on this because U.S. market is so important for us in our annual report we have mentioned like 40% of our revenue in 2024, has come from U.S. market. And recently, we got orders from Cipher and Cleanspark. And in the Cipher order, it's the first time we start to have the -- use the manufacturing factory in the United States to -- as a new alternative. Although the cost is a little bit higher, and I think it's beneficial to our customers. It's close to them. And they recognize our product performance. So we would like to improve the delivery capability and overall corporation experience for them. So I think that's also showed our execution to the strategic thinking from CEO, just to mention that we really value our customers in the United States and the U.S. strategy is one of the most important strategy in our whole integrated system. I think the new orders is mutually beneficial to both us and also Cipher. And we also have the immerse cooling orders from Cleanspark as well. So I think now is the better time compared to the early stage of the tariff come out after Liberation Day. U.S. customers tend to slow down their orders. But now we get back our customers, and we start to have some orders. I believe we will have chance -- have opportunity to have more. Thank you, Mike.

Operator: Our next question coming from the line of Edward Engel with Compass Point Research.

Unidentified Analyst: This is [ Bill McLever ](sic) on for Ed. Can I just ask, have you seen any changes in customary site demand since May? And has sentiment rebounded back towards like Q1 levels, for example?

Nangeng Zhang: I think since July this year, we have indeed seen some positive changes in the market demand recently. We have announced several new orders from institutional customers in North America, showing that local customers are gradually adopting this new tariff environment. And their willingness to purchase is returning. I think it's important to note that the direct impact of the tariff policy is concentrated mainly in the U.S. During Q2, we saw very active demand in Asia and other regions, where we secured a large number of orders this quarter. The company delivered over \$100 million in revenue, with more than \$70 million for mining machine sales, and most of these orders did not come from the U.S. This shows that overall global demand remains healthy and risk [ seeded ](sic) And because in July, Bitcoin prices have also reached a new all time high, several times. Which has been an important driver for miners to increase purchases. That said, because the U.S. tariff policy is still not settled uncertainty remains. I think the demand from U.S. customers has not fully returned to levels before the tariff policy announced. And I think I need to talk about some indirect impacts, because it's more complex restrictions, our mining machines import to U.S. have a great -- a very rare situation in this industry, maybe in the past 10 years where mining is still profitable or very profitable. But due to

supply demand imbalances, machine originally intend for U.S. market had to be sold to other regions that -- at discounted prices. This created the virus market doing a [indiscernible] cycle -- so something is not seen over a decade. So to address this, I must -- I think what we can do is we must continue to work on other ways to get machines into the U.S. at a lower cost. Yes. So I think our U.S. manufacturer is already in operational but while it's still very complex because complements enter in the U.S. steel base tariffs. Overall, I think the setup helps us to lower the cost and to speed of the supply for U.S. market to solve the previous question. And yes, I think it will help us to gain more [ long ](sic) holders.

Operator: Our next question coming from the line of Kevin Cassidy with Rosenberg Securities.

Kevin Edward Cassidy: Yes. Congratulations on the great results. Can you describe the effect that Bitcoin miners -- with them pursuing the AI and HPC co- location hosting agreements. Is that slowing the demand for the Bitcoin mining rigs?

Nangeng Zhang: Yes. Yes, we have seen some miners in recent quarters. They are shifting a part of their power and the facilities to AI/HPC co-location projects and some have done so very successfully, often leveraging their experience in Bitcoin mining and access to energy resources. We see AI/HPC and Bitcoin mining as complementary for two reasons. First is AI/HPC products typically have longer sales cycles and capital recovery period than Bitcoin mining. So when Bitcoin price is high, the network demand strong. Mining continued to offer higher and more predictable [indiscernible] which is why many companies are pursuing both. Second, from an energy standpoint, there is no direct competition for resources. Bitcoin mining is an already flexible power consumer. Over the long term, it can quickly secure large volumes of energy at very low cost, enabling rapid scaling rather than waiting years for traditional products over longer timeframes down to a year or even days. It's load profile allows it to absorb intermediate renewable or surpass energy, helping stabilize supply for AI/HPC will grow. So many large energy projects now plan for both mining and potential HPC customers together, improving overall energy utilization. So overall, our customers include large institutional miners, distribution partners, and home use around the world with a flexible for -- product portfolio and global delivery capabilities. I think we can meet a wide range of deployment needs. So we expect Bitcoin mining equipment to remain the core driver for our business.

Kevin Edward Cassidy: Okay. And maybe just as a follow-up, can you give us an update on the next-gen A-16s? And are you seeing a trend for more liquid cool than immersion systems than in the past?

Nangeng Zhang: Firstly, I will answer the liquid cool and air cool question. Yes. I think currently, [indiscernible] cool system have been grow steadily. But now air cool models still account for most of our miner sales. I think the reason is because they have lower deployment requirements. It's more simple to install and maintain and can be quickly rolled out across a wide range of global markets, especially for customers who have -- value flexibility and low operating costs. For the water cool system, because it performed very well in high- density computing environments but require stricter standards for water quality and operations. They are mainly used by large mining farms with fixed infrastructure. Since July, we've seen growing demand in Asia from customers who want to use the heat output for water heating many of them start with small batches for a [indiscernible] to several hundred machines, while they prepare for larger deployments later in winter, yes. Immersion cooling is growing very fast, particularly in North America and parts of Middle East. Large institutional miners like Cleanspark are choosing immersion for its strong performance, high density, low noise and very stable. These projects often involve higher customization, long-term capital investments, which also strengthened customer rotation -- orientation yes. For that generation, we will offer all three different cooling options and we will optimize designs for different markets or even different customers for different energy conditions. Yes. For example, I think in higher-temperature regions, immersion cooling, water cooling, may be more attractive and some distributed sites or smaller sized air cooling maybe continue to deliver strong cost effectiveness. So I think, for -- because the energy efficiency and the next-gen ASIC minus requirements and a larger and larger scale operators immersion and water cool models will become more and more common. Another -- I think you asked about the A-16. So A-16 now is a -- yes, yes, the A-16 now is at stages for chip assembly and the testing. Yes, it's only maybe 1-2 weeks before we have full machine testing results. So -- yes, so after that, we will have a product launch when the full system test is complete, we will announce -- officially introduce this -- A-16 to

market.

Operator: Our next question coming from the line of John Todaro with Needham & Company.

John Todaro: Two for you. One, if we could just dig a little bit more into the Bitcoin treasury strategy and kind of your thoughts on some of the Bitcoin treasury companies out there? Is there a possibility you could start getting a premium into the stock, similar to those type of companies? And then as a follow-up, as you do think about your Bitcoin stack, and apologies if I missed this, but any way to generate yield off it, derivative strategies, anything like that, like some of your peers where they're able to generate a yield on that Bitcoin holding?

James Jin Cheng: Thank you, John. This is James speaking. I would like to introduce a little bit, although we are still in the early stage of doing Bitcoin treasury strategy. I think our approach to do this Bitcoin treasury management, the first thing is to build up a kind of conservative foundation with the goal to make sure our holdings is quite safe. And also, we would like to increase the long-term value and liquidity. I think that's the purpose of doing this. First of all, we have already the -- demonstrated a way of doing this collateral rise financing. Kind of rising Bitcoin market, we can pledge part of our Bitcoin to access low-cost capital for high return projects. Such as miner production and also self mining expansion for our operation. I think when the financing term ends we usually can repay the principle. Also, we can generate additional financing. This can also improve the efficiency of our capital use. I think that's the first method. Secondly, I think we can also place some of the Bitcoin in short-term interest bearing accounts. As you said, earning a modest yield. Also make sure it's safe and compliance. In addition, we can also evaluate selective derivative strategies to manage price volatility or capture extra returns under certain market conditions. I think that's also important. So overall speaking, we have a kind of vertical integrated model. This model is quite interesting. We can grow our Bitcoin reserves through multiple channels. For example, accepting Bitcoin and payments for miners. Also, we can mine coins at a kind of cost below market average. And also, we can directly buy Bitcoin in the secondary market when the prices are more attractive. So I think although we are still in the early stage, our Bitcoin treasury has already reached 1,511 coins by the end of July. It's a new record. So over time, I believe the market will see us not only as a kind of a hardware maker or mining machine provider or computing solutions. The whole market will also look at as a capable Bitcoin treasury company. Thank you. thank you, John.

Operator: Our next question coming from the line of Kevin Dede with H.C. Weight.

Kevin Darryl Dede: NG, James, I'm curious to dig in a little bit deeper following up on John's question. Would you consider using the Bitcoin treasury to help fund operations? I wasn't really clear, James, if that was part of the intention. I apologize if I messed that up.

James Jin Cheng: Kevin, to fund different operations like mining size expansion and also ,in certain stage, we also order [ wafers ](sic) by utilizing Bitcoins as a pledge to get loans. Does that answer your question, Kevin?

Kevin Darryl Dede: That helps very much. Appreciate it, James. Yes. So also curious about the geographies that you're finding the greatest demand for the Avalon home miners and how you intend to market that effort?

Nangeng Zhang: Yes. Yes, I think currently, we will sell the Avalon Home series globally. There's many, many different countries. But I think the primary region is still the U.S., yes. So, yes. And I think we have -- the home miner, we have very good metrics in quarter 2 and in quarter 3, this is only 1 month, a little more than 1 month, and we have better -- much better performance than the quarter 2. I don't have the exact numbers, but it's roughly is much better than quarter 2. So yes, so -- the interesting thing is we are selling -- we are trying to sell more heaters in summer and still is getting very good results. So I think the home miner is a very new production line for the whole industry. We are working and learning. This is [indiscernible]. From my personal view, I think the home miners today can get a good -- it's already reached a good level for the -- for product. If a target customer is miners. But for traditional consumer market, we still need to enhance the everything. Include the user experience, costs, and the quality, everything to reach the requirements for traditional consumer markets. So this is what we need to do next. And we are building a very special team to working on the product itself. Yes. So I hope this answers your question. Thank you.

Operator: [Operator Instructions] Our next question coming from the line of Mark Palmer with the

Benchmark Company.

Mark Anthony Palmer: Yes. Congratulations on the resilience demonstrated during the quarter. I wanted to see if you could address the company's current capital deployment priorities, given where the share price is, how inexpensive the stock certainly appears, it seems like buybacks would be very much in order. I know that there were some executed during the second quarter. How are you thinking about capital deployment at large, where buybacks fit into the mix, versus alternative uses of capital?

James Jin Cheng: Yes. Thank you, Mark. I think we have already completed the \$100 million preferred share financing in March. After that, we have not used our ATM program. We have paused the ATM program since February 20th to avoid putting additional pressure on the market especially after our share price fell below \$2, I think in early February. Instead in May, we have announced up to \$30 million share repurchase program. And in June, both CEO and myself personally purchased like 817,000 shares. I think in current stage, we believe our shares are significantly undervalued. So buying back stock at current level is a better use of capital than issuing equity. So far, we have already purchased like 3.6 million ADS's. I think -- that's something we have already do. And also in using the fund recently, the demand in Asia remains strong. And I think the customers' interest on expanding their mining fleets from North American customers is steadily recovering. So it seems like the overall market demand is going up, and we got healthy orders and sales growth. Every quarter is better than the previous one quarter. So this allows us to prioritize using the capital from the operation to do the operation. Of course, we can also do some self mining, although it's not as fast as previously. But still, we are growing our mining fleet. I think that's something we are trying to do. We will continuously maintain flexible in capital allocation. We can make all kinds of spending decisions based on the actual business needs, we should balance the allocation of minor inventory between sales and sales mining. Usually, we follow a kind of strategy to build to order, keeping some delivery capacity in reserve. So I think for the capital use in the operation, we always do the allocation in between different business needs, so make sure we have the sufficient funds for future. But of course, we will also do some stock repurchase recently, and we will not start any kind of fundraising immediately. I think -- I hope I answered your question, Mark.

Operator: Our next question coming from the line of [ Thedosia Belling ](sic) with B. Riley Securities.

Unidentified Analyst: Hello, everyone. And NG and James, maybe my question is the kind of summary and follow-up of what's been asked regarding our North America plans. So given that many, many minor kind of postponed the expansion plan due to HPC AI initiatives, how do you see the evolution of average selling price, let's say, by the end of 2025 and maybe going forward in 2026?

Nangeng Zhang: Yes, I think -- because I think I just mentioned, the -- the global market is quite active currently because you know the -- I think we -- I mentioned a number which is the hash price, for how many dollars per petahash per day. Now, today, I think is about \$58 per petahash per day. There is an experienced number if this number is higher than \$55, then is a full market for the miner market. But if it's lower than \$55, it's maybe a bare market. So currently, it's \$58. So technically, it's a full market for the miner market. But still because unbalanced caused by the tariff policy fluctuations in North America. So currently, I think the ASP for the miners it's lower than it should be. This is what we are facing today and how to -- we are talking higher ASP, so the method for us is to reopen the channel to send more or manufacture or produce more miners in U.S. than the supply and demand and bias could be solved. So I think for the U.S. market because the tariff stuff, the ASPs may be higher than what we expected, but because the cost is higher, so we need to sell the machines at a higher price. It's not a healthy ASP growth, I think, but it will happen. And also most of the orders, it happens outside the U.S. in Q2. In Q3, more and more new customers coming -- which is coming in Q1-Q2, making deals with us. So we are in -- I think personally, we are in a very cautious optimistic for the ASPs in late 2025. And because the machines performance is higher, and we have A-16 following. So we have better machines than the ASP should be higher than -- should also higher yes. Okay. So -- yes, so this is my comment on ASP sessions. Thank you.

Operator: Thank you. As there are no further questions in queue. Now I'd like to turn the call back over to the company for any closing remarks.

Gwyn Lauber: Thank you, everyone, for joining us on the call today. If you have any further questions, feel free to reach us directly or through the contact information that you can find on our website. Thank

you.

Operator: That concludes the conference call for today. Thank you, everyone, for attending, and you may now disconnect.