NASDAQ:DGXX Q2 2026 Earnings Call Transcript

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Operator | Conference Call Moderator:

Good morning and welcome to DigiPowerX Inc.'s second quarter 2026 financial results conference call. Please note that this event is being recorded and a transcript will be available on DigiPowerX Inc.'s website. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. Unless noted otherwise, all amounts referred to during the call are denominated in U.S. dollars. Certain comments made during this call may include forward-looking statements or forward-looking information within the meaning of applicable U.S. and Canadian security laws. Such statements and information reflect current expectations and as such are expected to a variety of risks and uncertainties that could cause actual results to differ materially from current expectations. Those risks and uncertainties include but are not limited to factors discussed in DigiPowerX Inc.'s report on Form 10Q, for the three and six months ended June 30, 2026, and the annual report for the year ended December 31, 2025, as well as the company's other disclosure documents. Except to the extent required by applicable law, DigiPower X undertakes no obligation to publicly update or review any forward-looking statements or information. During the call, management may make reference to certain non-GAAP financial measures that are not separately defined under GAAP, Such as EBITDA and Adjusted EBITDA. Management believes that those non-GAAP measures, when considered in conjunction with GAAP financial measures, provide useful information for both management and investors. Reconciliations between GAAP and non-GAAP measures are presented in the tables accompanying the press release highlighting DigiPower X financial results as of the quarter ended June 30, 2026. Good morning, everyone.

Michel | CEO & Chairman:

and thank you for joining us today as we share our results for the second quarter of 2026 for DigiPowerX. I'll start with the highlight of the second quarter, three months ended June 30, 2026. Revenues of 6.6 million, reflecting the planned wind down of legacy operation as the company transitioned to AI, compute and colocation revenue. GPU revenue recognized for $1.1 million, representing the company's first GPU bare metal rental initial fleet of B200 and B300 GPUs deployed at the Columbiana, Alabama facility. And it was started a little bit third week of May to the end of June. It's about five weeks of income. Positive adjusted EBITDA of $3.3 million, an increase of $3.2 million compared to last year, Q2 2025. If you add all the depreciation and the non-cash related items, it brings us to a net loss of $14.4 million for the quarter. Balance sheet and liquidity as of June 30, 2026. Cash and cash equivalents of $142.4 million versus last year, $1.7 million. Working capital of $131 million, representing a $139 year-over-year increase from June 30, 2025. Basically, we had no working capital a year ago. Digital assets holding of $14.3 million. Net fixed assets and equipment deposits for the buildup of the data center in Colombiana, $127.5 million, an increase of 447% year over year, reflecting capitalized investment at the Colombiana Alabama facility.

Unknown Executive | Chief Financial Officer:

No long-term debt. Total assets of $279 million versus $37 million a year ago. Balance sheet and liquidity as of today. The company's cash and cash equivalence position is approximately $150 million today.

Michel | CEO & Chairman:

Approximately $110 million year-to-date of capital expenditures deployed towards GPU equipment and data center build-out for contract with Cerebras in Alabama facility.

Unknown Executive | Chief Financial Officer:

Operational highlights and outlook.

Michel | CEO & Chairman:

At the Columbiana Alabama AI campus, The company is still targeting phase 1 ready for service in December of 2026 and phase 2 in end of Q1 2027. Through its GPU as a service and bare metal rental, energy sales and legacy collocation segments, the company anticipates Q3 to increase by approximately over 100% as compared to Q2. Q2 signified a substantial turning point for DigiPowerX as the company recognized its first AI revenues ever along with positive adjusted EBITDA and growth substantially year over year. Our balance sheet remains a source of strength for the company as we hold approximately $150 million in cash and cash equivalent as of today, no long-term debt, and we have already deployed approximately $110 million of CapEx year-to-date into our infrastructure in Columbiana, Alabama. The company is currently in advance debt financing discussions for the Alabama Data Center to advance our path to growth and mitigate dilution. As you know, being the major shareholder since Privately, 2016, where I invested personal funds of about $8 million, I never sold one share and I'm very sensitive about dilution as it affects me primarily. So I am on the same side of most of shareholders. I try to mitigate dilution as much as we can. Considering that last year, 12 months ago, We have basically no cash, $1.7 million. We have basically no assets, $37 million. We have basically no working capital. We had to utilize certain tools like ATM in order to raise cash in order to be eligible for debt financing.

Unknown Executive | Chief Financial Officer:

Now I'll be ready for a Q&A.

Operator | Conference Call Moderator:

Thank you. We will now be conducting a question and answer session with questions previously asked by shareholders. First question, what are the remaining tasks that DGXX needs to complete before the company can deliver the first 15 MW to Cerebras?

Michel | CEO & Chairman:

So basically, we are done with the first 15 megawatts in terms of equipment purchases. All the long-term equipments have been placed and we are starting to receive them this month, actually. We are actually a few weeks earlier than scheduled, so we feel very confident that we will be ready by December for phase one.

Unknown Executive | Chief Financial Officer:

Thank you.

Operator | Conference Call Moderator:

Second question, a similar question for phase two. What are the major items that need to be complete for delivering the second 25 MW.

Michel | CEO & Chairman:

So we also are basically done for phase two. We secured and as mentioned earlier in our total assets, you saw a big portion of deposits for equipment. We already secured all the long-term equipment to the UC November, December. And we believe that we are in good shape to also complete phase two by March 2027.

Operator | Conference Call Moderator:

Thank you. Our third question, as it relates to your NEO Clouds business and goal of exiting next year with delivery 10 MW and GPU as a service, What are the obstacles to securing leases for these smaller sized data centers? Is it capital, permits, locating long lead time items?

Michel | CEO & Chairman:

So that's a very good, very interesting question. So we have no issue of power and permits in the sense that 10 megawatt is not a lot of power in our power infrastructure. So we do have the power and the allocation. GPU are very, very CapEx intensive. We started to buy GPUs and we are running very successfully, 100% uptime. Really successfully operation for us. And as you know, we placed more GPU orders, the Vera Rubin, that should lend early Q1 next year, and that will add additional income on the GPU Vermetol. Good news in the last few weeks, as you read, NVIDIA and most of the banks, BlackRock, Blackstone, Goldman Sachs, KKL, have created a fund and actually value, residual value for the GPUs. So it's gonna be much easier to get debt financing or asset-based financing on GPUs, which will allow us to accelerate our GPU bare metal program. So we feel comfortable that we get the financing separately from the data center for growth for GPUs.

Operator | Conference Call Moderator:

Thank you. Our fourth question, given your sites in North Tonawanda, Buffalo, New York, does the one-year moratorium on data centers in New York impact your ability to meet your targets of exiting 2027, delivering on 10 MW for NeoCloud and 9AN additional 50 MW for co-location data centers for HPC?

Michel | CEO & Chairman:

So great, so I get these questions a lot from many shareholders and I want you to appreciate shareholders that we've been running Gitcomb mining legacy operation there since 2016 on one site and since 2021 on another site and we were fully permitted then to run at these two sites on the moratorium law, which was, you know, it's not a new law. It was always there for the last four years or five years. And we are grandfathered in New York. We cannot expand our current footprint of power. So, I think we are using 60 megawatts We are using 18 MW in Buffalo. So we are allowed to use the same power. We are not allowed for now to expand power. But our goal is to just convert another co-location deal of 40 to 50 MW and GP as a service or bare metal for another 8 to 10 megawatts. That's our goal for 2027. So we have plenty of power there to sink our goal.

Operator | Conference Call Moderator:

Thank you. Question number five. Please provide an update on the LOI Omni's Pleasance LLC, owner of the Pleasance Power Station, a 1.3 GW power generation facility in West Virginia.

Michel | CEO & Chairman:

So great, so the owners of that power plant, one of the owners is AJ Gupta, he's on my board of directors, and we found an LOI, it's a monumental 1.3 gigawatts is huge and I do not want to be involved in the battle there on the power plant side. I just want to get land, access to the electrical infrastructure and utilize utility power of up to 1.3 gigawatts. So I'm working very hard with you know my board member to try to establish a growth path starting with 100 megawatt up to 1.3 gigawatt because the infrastructure is there without being involved in potential liabilities of a power plant. That's why it's a little bit slow and in any event it would be more for a end of 27 to 2030

Operator | Conference Call Moderator:

Thank you. Our next question, what is the current strategy for companies' North Carolina property holdings?

Michel | CEO & Chairman:

So we own two lands over there, about 40 acres. We acquired within the last 12 months an additional adjacent land so we can properly designed and built an adequate data center there. We are in the process with Youth Energies and the zoning to get all the necessary load studies permits for a major data center. And we believe that we will be able to utilize that asset towards 2029, 2030, with an additional 150 to 200 megawatts of power. So we are trying to plan our growth through all these sites from now till 2030, 31. And if we just, you know, succeed in converting or pivoting in colocation and GPU bare metal, half of these assets

Unknown Executive | Chief Financial Officer:

We've become a huge, huge, huge company.

Operator | Conference Call Moderator:

Thank you. Next question. What is the current strategy for, I'm sorry, what is happening with U.S. Data Centers Inc.? Any updates?

Michel | CEO & Chairman:

Yes, so the reason why U.S. Data Center all 48% today from 55% is that we started to raise separately dollars in order to avoid taking the cash that we need 100% on the balance sheets of DigiPower to fuel current data centers and future data centers growth. We cannot be distracted in financing a are basically an equipment business which is your data center purpose to basically design, manufacture modular system, mini data centers prefabricated that you assemble in different sites.

Unknown Executive | Chief Financial Officer:

So we did not want to distract or pull any cash

Michel | CEO & Chairman:

from the DigiPower pool. So we started to raise money on this separately and we raised money up to $125 million pre-revenue valuation. We plan to raise a little bit more on a higher valuation and the plan for 27 is to deliver to different sites, modular systems, like a piece of equipment. So it's a complete different business purpose than DigiPower, which is in the power and data center processing and GPU bare metal.

Operator | Conference Call Moderator:

Thank you. And our last question, is the company still using its ATM vehicle? How were the funds utilized? What are your strategies to mitigate shareholder dilution? And also, please provide an update on the company's debt financing discussions.

Unknown Executive | Chief Financial Officer:

So that's one of the most important concerns from all shareholders, including myself, the biggest shareholder. Okay, it's sometimes the ATM is a necessary evil.

Michel | CEO & Chairman:

And 100% I can assure you that with $1 million last year, $1.7 million last year of cash, I could never take off, borrow, stop any type of AI business, impossible. So I had to position the company in a way where we could be eligible to attract lenders with a strong balance sheet. Of course, everything has to be done in measures, and I think we raised most of our ATM capital early Q2 at an average of, I'm not going to guarantee the average, but much higher of our stock price today. I think our last ATM draw was at $7.25 or $7.50 a share. So we did not draw any dollars below that, if my memory serves right. So now we accumulated enough cash to, A, self-fund most of the data center of Alabama, So we are not at risk of execution from a financial perspective, and I think that it was very important to secure the execution of that first data center, which is the real catalyst force. Then, how can I talk to a lender if I don't have cash sitting on my balance sheet? Lenders want to see cash, strong balance sheets, specifically this year. So now, because we have a strong balance sheet, and I'll talk about the company debt financing discussion today, we ended up engaging Goldman Sachs, a very reputable bank that has proven to be able to syndicate a lot of financing for very big companies. We are very confident that we will lend debt financing for not only this project, which we will get cash back because we already, as we stated earlier, we already capex over $110 million. So we're going to get cash back, we're going to preserve a strong balance sheet, we find a great and other financial partners, not only for this year, but for next year and the next few years of growth, we have all the cards in our hands. A little bit of, you know, faith from our shareholders, the same faith that I give to my company that I invested privately 10 years ago, and we will be Very amazing situation in the next three months to six months.

Unknown Executive | Chief Financial Officer:

You have to appreciate that in 12 months, we changed that company numbers dramatically.

Michel | CEO & Chairman:

We went from $1.7 million to $150 billion of cash today plus $110 billion of CapEx. That's a huge delta. We went from $37 million of assets to $279 million of assets. You have a company that has real assets with a very, very, in my opinion, low market cap compared to the assets and compared to the cash.

Unknown Executive | Chief Financial Officer:

So we are very close to execute our plan. We execute.

Michel | CEO & Chairman:

That's our mission. We are focused on the execution. We have all the elements to do so. And next quarter, we should have a great update for you guys.

Operator | Conference Call Moderator:

Thank you. And we have reached the end of the question and answer session. And therefore, Michel, do you have any closing remarks?

Michel | CEO & Chairman:

I think I just did it. That was my closing remarks. You know, I need to be focused and all the team focus work. I wanted to add that subsequently we are building a very, very small team in Silicon Valley with our CTO Jag. We have very talented engineers building the layer of software for GPU as a service. We got an office that will be open soon, actually very close to Cerebras, NVIDIA, Super Macro. And we plan to offer more, to be all vertical in all the different layers of this business. And the team we are building, some come from, like Jack from Oracle, where he worked for like 11 years there as two gigawatt data centers. So I think we are in good shape. We just need to push, focus. The path is there. It's all about execution. And we are closing the loop on the financial answers to mitigate dilution. It's my goal. It's the goal for every company, but sometimes you have to get to a spot where you're eligible for debt financing. We are there now. Thank you, everyone.

Operator | Conference Call Moderator:

Thank you. This concludes today's conference, and you may disconnect your lines at this time. Have a good day. Thank you.