NASDAQ:DGXX Q3 2026 Earnings Call Transcript

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Conference Operator | Operator:

Good morning and welcome to the DigiPowerX Inc.'s third 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 this 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 securities laws, including statements regarding the company's 2027 outlook, capital plan, and anticipated financing. Such statements and information reflect current expectations and are, as such, are subject 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 10-Q for the three and nine months ended September 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. During the call, management may make reference to certain non-GAAP financial measures that are not Thank you for joining us today. and made accessible under the company's continuous disclosure profile on CDAR Plus at www.cdarplus.ca and is also available on the FCC's EDGAR website at www.fcc.gov forward slash EDGAR. I'd now like to turn the call over to Michel Amar, CEO of DigiPowerX. Please go ahead, sir.

Michel Amar | Chief Executive Officer:

Good morning, everyone. and thank you for joining us today as we share our results for the first quarter of 2026 for DigiPowerX. Our first quarter results show that DigiPowerX transformation into AI infrastructure company is beginning to take hold. So, first quarter 2026 highlights, our revenue went up 85% to 12.25 million The second quarter of 2026 and at 50% from the third quarter of 2025 AI revenue of 5.66 million at more than 400% from the second quarter and representing now 46% of total revenue compared with no AI revenue in the third quarter of 2025 GPU rental Vermetal through Neoclad V of 2.46 million, up 127% from the second quarter, compared with no GPU rental revenue in the first quarter of 2025. Energy sales through our power plants of 3.29 million, up 68% from the second quarter, and 9% year over year. Legacy Bitcoin Activities fell to approximately 27% of revenue from 63% a year ago. AI revenue more than offset that decline. Positive EBITDA of 6.5 million and positive adjusted EBITDA of 0.6 million compared with 1.7 million and negative 1 million respectively in the third quarter of 2025. Positive net income of a million dollars materially supported by digital currency and warrant valuation gains compared with net income of 0.1 million in the third quarter of 2025. Let's talk about the balance sheet and liquidity as of September 30, 2026. Cash and cash equivalents and digital currencies of 119.6 million. Working capital of 103 million compared with 17.5 at September 30, 2025. Digital currency holding of 24.5 million up 56% year-over-year. Net fixed assets of 145.6 million up 646% year-over-year, reflecting infrastructure investment primarily at the Columbiana, Alabama facility. No outstanding borrowing as of today. Balance sheet and liquidity as of today, November 13. The company's cash, cash equivalents, is approximately a little bit above $100 million cash. $168 million year-to-date capital expenditure deployed towards GPU equipment and data center build-out at the Colombiana, Alabama facility. Operational highlights and outlook. Colombiana, Alabama AI campus. Construction of Phase 1 remains unscheduled. We expect to give alternate access to the Phase 1 facility on December 15, 2026. Basically in four and a half weeks from now. And we start conditioning all the liquid cooling and power systems at that time. With Phase 1 billing expected to begin in January 2026. Welcome, Phase 2. I started already for a few months, and subject to various conditions, we are targeting tenant access for Phase 2 in March 2027. We are

scheduled to be also on time to give access and a lot of investment has been to work phase two already. Our 10-year tech at-pay collocation agreement with our tenants, Thierry Brasse, our AI collocation that Colombia now expects to provide phase one fees averaging approximately 40 million per year over the 10-year term or approximately $402 million in total. Phase 2 will add approximately $58.5 million in annual fees, bringing combined average annual fees to approximately $107 million per year and a total contract value to approximately $1.07 billion for both phases. The agreement also includes an option to extend the relationship for an additional term which could increase the total potential contract value to approximately 2.5 billion. Neoclub, the token factory, is live. We launched this quarter from Berlin, our token factory, taking DigiPowerX from AI infrastructure provider to direct seller of AI tokens. Running on our own power, data centers and GPUs, the platform sends AI inference straight to customers. The huge advantage of that are the margins. We see margins anywhere from 85% to 90%, actual margins. So it's a business that will create a lot of positive cash flow as we invest in it. Because we own the full stack, we keep a value of every token we serve in terms of renting out compute at wholesale prices. We expect the token factory to unlock a new fast-growing revenue stream with meaningful higher margins, a major step and Major State in turning our infrastructure into full-scale AI business. Let's talk about the $200 million project-level debt financing. As announced on October 13, 2026, we received a commitment letter from a major lending institution for $200 million in debt financing, indicated by Goldman Sachs to support the development of our 40-megawatt AI data center in Columbiana, Alabama, and to strengthen our balance sheet. The financing is expected to be structured at the project's special purpose vehicle level, with an unsecured company guarantee through project completion and other limited matters. The proceeds are intended to support completion of the Colombiana project and related project costs. Closing is currently expected to close in the fourth quarter of 2026, subject to definitive documentation and the satisfaction of various conditions, including the landless completion of the due diligence. 2027 Outlook and Capital Plan We expect to reach an annualized revenue run rate of approximately $250 million to $300 million, or approximately $21 million to $25 million per month by the end of third quarter 2027, subject to adequate financing, market conditions, and various other conditions. Approximately $143 million of that run rate is supported by current operations. and the Colombiana Permanent Agreement. The balance is expected to come from additional AI collocation and GPU capacity currently in development and in customer negotiations.

Conference Operator | Operator:

CapEx.

Michel Amar | Chief Executive Officer:

We expect 2027 CapEx of approximately $350 million, primarily for approximately 10 gigawatts of AI inference or token factory at 85-90% margins, capacity and the completion of our Phase II Colombiana. We intend to fund this principally through customer deposits and prepayments and contract debt financing, including the proposed $200 million facility together with cash on hand. This approach ties capital deployment to contracting revenue and is designed to minimize shareholder dilution. I want to remind every shareholder that in 2016, I invested from my personal cash $8 million and I never sold one share. And just to tell you that I have a long-term vision of a huge return on my investments. U.S. data centers update. DigiPowerX owns approximately 48% of U.S. data centers Inc., which design and deploys the ARM's modular AI data center system and is developing URP1, a robotic platform for automated deployment and maintenance. USDC is raising capital independently, which will further dilute our ownership interest, without capital contribution from DigiPowerX, without the issuance of DigiPowerX shares. So in order to fund our growth, which is very promising, We're going to raise capital without diluting DigiPowerX or without getting any allocation of DigiPowerX. And I think that's very important for everyone to understand that DigiPowerX today is very focused on power, on GPU diameter, on co-location yield, and cannot afford to allocate extra dollars to expand robotics or modular systems. So that's the reason why we have a different setup to raise capital. What are the opportunities for growth and expansion? We continue to prepare our New York infrastructure

assets for conversion to AI, data center operations. and we are targeting the transition of these sites beginning of third and fourth quarter 2027. These sites are powered. One is powered for the last ten years, 18.7 megawatts, and another one where we have a total of 120 megawatts, including our generation of power, for 30 years in terms of generation, and we got an allocation from the utility, which is great because it's all green power, hydro power, and we got an allocation of 63 megawatts there. Because of our financial discipline, we haven't rushed to develop it with the Alabama-Colombiana AI Center in order to control our CapEx. We don't want to rush and be out of cash. So as we transition from a project to execution, which we have been sharing videos of our progress and I was there actually a few days ago and it's really, we are very close to finalize phase one, few weeks. So as we transition from project to execution to live, then we can, you know, keep on going with our assets. In North Carolina, we own Now two sites, about 40 acres adjacent to one of the state's largest electrical switchyards. Our current development plans contemplate two times 75 megawatts, about 150 megawatts, for 2029 and 2030. So that will secure our growth for the future years. Between New York and North Carolina, we can extend to over 400 megawatts worth of capacity, which, depending how we optimize each megawatt, is huge revenues. So we definitely have currently, we own the assets to grow 2x, 3x every year for the next few years. Revenue increased 85% over the previous quarter and AI now accounts for nearly half of our business all before the expected start of Colombiana co-location billing in January 2027. So our priority now is execution, financial discipline, and then we expand our Thank you. Thank you. Deploy capital against attractive returns and fund expansion through customer contribution and contract-backed financing. Our vision is substantial and our discipline is equally clear. Grow recurring revenue and cash generation while minimizing shareholder dilution. Thank you for joining us today. We will now take questions.

Conference Operator | Operator:

Thank you. Our first question is, what do Q3 results demonstrate about DigiPowerX's AI transformation?

Michel Amar | Chief Executive Officer:

So, it's really an incredible quarter for us. If you think that last year, we were a basically dying Bitcoin company and we had very little cash January 2025. I think a million seven. Very little assets. Net six assets were like 30 million. And in a year, we went from no cash, little assets, a Bitcoin buying business to cash, 120 million dollars, 140 million dollars and made six assets. CAPEX this year already invested of 160 million and AI revenues that represents almost half of our total revenue. So we believe that it was a transformative year and quarter as we are growing accordingly to our pace. We started to process data bare metal rental in May very successfully and a lot of companies came to our site to see our execution and everybody is very impressed. Thank you.

Conference Operator | Operator:

How much revenue is reoccurring or contracted?

Michel Amar | Chief Executive Officer:

So, Columbia and Alabama provide our strongest long-term contractual revenue visibility with a 10-year take-or-pay agreement. Phase 1 represents approximately $402 million in contractual fees, increasing to approximately $1.07 billion with Phase 2. Neoclad Z and our other operating business also generate ongoing revenue, although contract duration and utilization vary anywhere from two to five years. We are focused on increasing the share supported by long-term commitments. Five years for Neoclad and 10 to 15 years for co-location.

Conference Operator | Operator:

Thank you. What does the December 15th Columbiana milestone represent?

Michel Amar | Chief Executive Officer:

So December 15th is a key number and considering that we signed the deal with our tenant, Terebras, early May, which is really a few months ago, it's really incredible that we managed to design and finance and set up phase one in basically seven months. I believe we are one of a kind to be able to execute on such a short period of time. And December 15, Turners will have access to the data hall and we will start commissioning The Power and all the liquid cooling systems that are basically down. And it's a very important delivery milestone for us. As a landlord, after the commissioning, we can start billing.

Conference Operator | Operator:

Thank you. What is the financial value of the Columbiana Agreement over 10 years?

Michel Amar | Chief Executive Officer:

So as stated a few minutes ago, the 15 megawatts first phase represents about $402 million over 10 years, and the second phase of 25 megawatts represents an additional a little bit over $600 million, for a total of $1.07 billion, averaging about $107 million annually.

Conference Operator | Operator:

Thank you. Is Phase 2 on track for March 2027 tenant access?

Michel Amar | Chief Executive Officer:

So, construction of Phase 2 has already started. There's a lot of common denominators between Phase 1 and Phase 2. The Data Hall has both phases in the Data Hall, so it's there all the fire suppressing requirements all the chillers are already there for both phase, phase 1, phase 2 all the equipment has been purchased for both phase, phase 1, phase 2 so we designed that contract to be able to do two phase so we can financially support it no matter what and we are very advanced in the phase 2 as well So we don't see any issues to be giving access to Phase 2 in March 2027. The commissioning will be easier because all the liquid cooling commissioning will be done this month and early December. So we believe that The time of conditioning will be shorter in March and we expect to deal in April the full total monthly contract.

Conference Operator | Operator:

Thank you. What additional value could the renewal options under the Cerebras contract provide?

Michel Amar | Chief Executive Officer:

So now it's a little bit under 1.1 billion for the initial term. and we can go to a total of $2.5 billion as an option. And we believe that the investment of a tenant is so huge, they're going to locate in that data hole billions of dollars of equipment, of servers and GPUs, and it's very costly for a tenant to move out. Not only is it costly, it's their economic interest to stay as much as they can as the power shelves are very scarce these days. So

the value, in our opinion, will be much greater in 10 years from now.

Conference Operator | Operator:

Thank you. Where does the proposed 200 million financing stand?

Michel Amar | Chief Executive Officer:

So it's interesting because earlier we had an approved financing that I denied in July from a very big, one of the biggest world institutions, but I didn't like the terms. And then we decided to deny an approved financing to move and syndicate it through Goldman Sachs. And we saved us on this financing about two points, which is incredible. As the interest rate went up, we managed to save two points on the financing. We are pretty close to close the financing. We got the loan documents. So we expect to close in the near future. Definitely in Q4 26, but we are pushing to close earlier. I think we are one of the best candidates for a lender as we invested our own capital, we have cash, and we are executing on time. So we are a pretty good candidate for a lender. But we managed to be Thank you.

Conference Operator | Operator:

How will the approximately $350 million 2027 capital plan be funded while minimizing dilutions?

Michel Amar | Chief Executive Officer:

So, our funding strategy combines customer deposits and prepayments. So, with the crisis that happened in the last four or five weeks, It was, you know, torture for our stock price, but this is a relaxed company. The entire market went down. It also gave us an opportunity to ask for bigger deposits on new contracts. And now the few discussions that we have, and we are finalizing to set up new contracts. We are getting much more than we used to six months ago. So six months ago, a tenant or a bare metal renter was willing to give you 15%. Now they're willing to give you 30%. And sometimes up to 50%. And sometimes, as we are negotiating now, up to 70%. So then, financing from the customer perspective becomes so easy for us to grow because we achieve something incredible. We are credible. We are not a company that talks about power and may have a connected power with a grid in 28, 29. We are. We are executing. And a lot of very big companies came to our sites. Very large companies came to our sites and understand that we are for real, that we are credible. So now they are willing to support us and give us bigger deposits and help us finance our growth. And that's the major accomplishment that we are realizing by execution.

Conference Operator | Operator:

Thank you. What supports the 250 to 300 million annualized revenue target?

Michel Amar | Chief Executive Officer:

So we already have about 143 million on the contract and the remaining 107 to 150 million are expected from our development of the other sites through collocation or GPU capacity. And if we had an open bank checkbook, we could have done it for Q1 or Q2, but considering the market condition and our financial discipline, if we want to go fast, we have to work slowly. We have to be careful. So, you know, we survived all the Bitcoin cycle years in 2016. We always survived. And we don't want to be exposed to a financial issue by growing too fast. We have time. There's plenty of market share for us to get. And we believe that Q3 will be in

the run rate of what we announced.

Conference Operator | Operator:

Thank you. Can operations generate sustained positive cash flow?

Michel Amar | Chief Executive Officer:

So, let's talk about Q3. We generated 4.7 million of positive cash flow in Q3. True, with the help of a 12 million Thank you. Thank you. Thank you. Thank you. What drove Neocloud's growth and are its margins sustainable? So, We started with bare-metal GPU rental and you saw the increase of 127% sequentially to 2.46 million as Neoclub descaled. The opportunity of bare-metal and GPU as a service and token factory is to increase Your revenue per megawatt and your margins per megawatt. Considering the environment, the political environment. And by the way, we are very lucky to be in Alabama. I was at the election night last Tuesday with the governor-elect, the coach, Toddy Turpervin. which I have a great relationship and he reiterated directly to me that he's welcoming data centers in Alabama and he's welcoming our contribution, he's welcoming our job creation, he's welcoming the incredible science and technology of AI that will save lives, cure cancer and cure most of incurable diseases. So it's very pro technology and is welcoming, you know, growth in Alabama. So we're very excited because we definitely can expand in Alabama and contribute to the communities and create value to these communities by creating a lot of jobs. Now in our campus, in a very small city, we have about 250 construction workers, highly paid jobs that are going to restaurants, that are going to hotels, that are creating an economic boom locally. So it's really interesting and we're really excited to be in Alabama there. And to go back to this business of maximizing and optimizing per megawatt, considering the scarcity of power and the upcoming regulations of power where they're going to start to basically state-to-state limits powers, you know, below 50 megawatts. They're not going to, I don't think that you're going to see 500 megawatt campus or one gigawatt campus. I think the strategy is more into the 50 megawatts, 25 megawatt campuses, which is very big if you do GPU down at home, very big revenues. Vermetol, today, Vermetol, we can book short-term D300 at $7.75 per hour, Vermetol. If we do tokens, it's $15 to $20 per hour equivalent, you know, per token. So the pricing is booming on the GPU as a service. And it makes sense. because the bottleneck, the struggle, the constraint is permuted available power. And why it creates an opportunity for a small company like ours is that we do own the power, we understand all stacks from power generation to token factory, which is very rare. Not a lot of companies generate power and are able to sell tokens. And every megawatt now, we know how to maximize the revenue and the value. We can get easily two to three million dollars a month per megawatt. So if I just convert 50 MW, that's $100 billion a month. Okay, at very, by the way, very high margins, 85 to 90% margins. So, our catalyst is execution, which we are 95% there, and financial discipline, and we are an incredible company.

Conference Operator | Operator:

Thank you. What is the path to securing an AI customer for New York?

Michel Amar | Chief Executive Officer:

So, the market is such that there's no, there's so much demand, and there's much more demand today than six months ago. As we shifted from training to insurance, It's exploding. The demand is exploding. We have many potential contracts now that we could sign. And we are being very, very cautious and making sure that we leverage the scarcity of our powered assets. Like New York is permitted and running Deepong Steel, Legacy Business as a data center. It's there. So we just have to shift it to a redundant data center. And we want to make the right deal for the company. We are not in a rush because of the financial discipline. And we want to close our debt financing. And then we're going to develop our New York assets. It's going to be and

many more. Thank you. How does the 48% USDC ownership create value for DGXX shareholders? The value and the protection of Digipower Capital. Of course Digipower would want to produce everything, transformers, switch gears, and will be without any capital left for the focus business. So by being a major shareholder, the biggest shareholder of USR Center, that's now planning to produce POTS system, which are very adequate, by the way. The timing is incredible because you're going to see we are getting on the USR Center a lot of action on smaller sites. because that's what's available and that's what is under the radar politically. So a lot of action for us for 27 and 28. It's going to be an incredible company, by the way. And related to this modular system that are housing all the different brands of GPUs, not only NVIDIA, but the B300, the Vera Rubin, the Vera, NL4, NL8, the Cerebra CS4, CS5, the AMD, the Helios, the GD300. We have everything set up and under the US data center, we are also getting deposits from customers to finance the growth along with debt financing in the future. And The slight dilution to get capital does not affect whatsoever DigiPowerX. So now, on Neural Data Center, we are looking to create a nice size value for that company, as we are developing as well robotics, and we actually have industrial robots that will be live This quarter, 2026, and they are going to be related to industrial sites for maintenance, variation of temperature or humidity or, you know, all the different basic data that is needed in the data center. And we're going to start to lead these robots to different industrial sites. So by creating value there, Digipower has a free take on a big piece of the value of the growth of USF Center without any risks that, by the way, cannot afford to take. We don't have a money allocation to go and invest in new ventures. We have to focus on our core business, on the Digipower X, and execute. We have a three to five year plan that take us to a very high level and that's what we should do.

Conference Operator | Operator:

Thank you. What milestones should shareholders use to judge execution over the next two quarters?

Michel Amar | Chief Executive Officer:

It's very simple. It's purely execution. Phase one, total access in basically five weeks, four to five weeks. Commissioning, starting December 15, or earlier. Dealing, starting January. Closing of a proposed financing in the next few weeks, but in quarter 2026. Progress of a phase two and access in March 27. commissioning and live and dealing in April 27 and adding few AI customers with huge deposits so we don't have to dilute and we can negotiate the best financing, best financing if necessary. So this milestone will show how effectively we are converting our investment into recurring revenue.

Conference Operator | Operator:

Thank you. Do you anticipate continued growth in the neocloud sector going forward?

Michel Amar | Chief Executive Officer:

So we believe that this is the best use and the best ROI of our investments. because when you work at 85 to 90% margins and you have scarce power connected, this is the best use of your dollars and we don't see any slowdown in the next three to five years. We are actually negotiating contracts now, five-year contracts that are huge and with very little power. So we can execute. So we see a continuous growth in that sector. We just have to make sure we figure out the financing properly.

Conference Operator | Operator:

Thank you. Our final question. How do Cerebras 3Q results impact DigiPower?

Michel Amar | Chief Executive Officer:

So, you know, A lot of shareholders call me and say, but are you sure about Cerebras? Their stock was $360. It went down to $100. Aren't you worried? How can I be worried about one alternative of NVIDIA? And their results yesterday showed that they are doing great. They are up 55% year over year. Their cloud services revenue, 255%. They have close to $8 billion in cash. And we have an incredible relationship with Cerebus. From management to you, to everyone, they are very, very happy with us. We are very happy with them. We can grow further with them. The only reason that we did not grow out of the same reasons I mentioned earlier, you know, we need to go step by step and be disciplined financially. But as you know, they announced that they have 700 megawatts contracted, and 700 megawatts is hard to find today. They will definitely take more colocation from us, 100%. We just want to make sure that we have a diversified base of customers so we can be more valued. And you have to understand one important factor. In March, when our data center is down, state of the art, by the way, Designed by one of the best designers in the U.S. When our data center is done, our value for liquid cooling data center today is about, in my opinion, $30 to $35 million a megawatt of IT. And I'll tell you how I base my valuation. Blackstone paid, before the election, $27 million a megawatt for a data center in West Virginia. After the election, it's worth easily 20 to 30% more because of the scarcity and potential regulation in Texas and so on. So a Finnish data center alone, the value of it, Excluding the contract value, it's 30 to 35 million dollars on megawatts. Multiply by 40, okay, and you get an idea of what it's worth. Reduct the 200 million dollars debt financing out of a billion two or a billion four, then we have a net equity there of a billion two. That's what it's worth. So, add now the contracted value that brings, you know, monthly EBITDA, recurring revenues, guaranteed, and you add another, you know, $200,000 there. So, we're very confident that our relationship with Cerebras has detonated our credibility. I believe that Cerebras GPUs are very powerful in token per second, TPS, in France. And with all the, you know, travel in NVIDIA, Terebras is very well positioned to grow and take market share, considering NVIDIA has 90% of market share. I wouldn't be surprised if NVIDIA start to go down in market share and Cerebras start to grow in market share. And they're going to need very good partners that they trust. And we are one of them. So we are very excited about our relationship with Cerebras. Any more questions?

Conference Operator | Operator:

No. That was our final question.

Michel Amar | Chief Executive Officer:

So thank you guys, thank you shareholders for your patience and your support. I know it gets very frustrated to go through the cycles of ups and downs on the stock price, but we are very committed. We have an incredible team. I really want to thank my team, Alec specifically, who is not a big talker, but he does everything A lot of work. He's the one who triggered the Cerebras deal and negotiated the Cerebras deal since last year. And he has a lot of incredible deals on that now that we're going to convert in the short term. And we have a great team in West Coast. We acquired a building. 18,000 square feet in Sunnyvale, very close to Celebras, very close to Super Macro, Google, beautiful building that we are renovating and making beautiful state-of-the-art offices where we're going to have our racks of B300, Vera, and we're going to be able to use it as a showroom and demonstration of our capabilities. We're going to have a small token factory there and we are building an incredible team with Jag and his different engineers. Of course, again, we make sure to grow related to our revenue growth. as a ratio of revenues. But I forgot to mention also, and I'll close the statement, we lower our LGN expenses 30% from Q2 to Q3. So we are trying to be very disciplined in how we allocate dollars. And everybody knows that we have an entrepreneurial approach to business, not a

very corporate approach. I let the lawyers be corporate, the accountant be corporate, but as far as speed of execution, we are a very small team that can communicate and execute and make decisions very, very quickly so we can compete. But we have a good shot of getting market share here. Thank you so much, everyone, and let's hope we get a great day today. Thank you, guys.

Conference Operator | Operator:

Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.