NASDAQ:SLNH Q3 2026 Earnings Call Transcript

Generated on 11/25/2026

Operator | Conference Call Operator:

Hello, everyone. Thank you for joining us. And welcome to the Saluna third quarter 2026 earnings conference call. After today's prepared remarks, we will host a question and answer session. If you would like to ask a question, please press star one to raise your hand. To withdraw your question, press star one again. I will now hand the conference over to Mike Tu, Vice President of Finance. Mike, please go ahead.

Mike Tu | Vice President of Finance:

Good afternoon, and thank you for joining Saluna's third quarter 2026 earnings call. Our earnings release and the accompanying presentation are available in the investor relations section of salunacomputing.com. And this call is being webcast with the presentation. With me today are John Belizaire, Chief Executive Officer, Ryan Carver, Chief Development Officer, and Michael Picchi, Chief Financial Officer. Before management begins their formal remarks, we would like to remind everyone that some statements we're making today may be considered forward-looking statements under securities laws and involve a number of risks and uncertainties. As a result, we caution you that there are a number of factors, many of which are beyond our control, which could cause actual results in events to differ materially from those described in the forward-looking statements. For more detailed risks, uncertainties and assumptions related to our forward-looking statements, please see the disclosures in our earnings release and public filings made with the Securities and Exchange Commission. We disclaim any obligation or undertaking to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made, except as required by law. We will also discuss non-GAAP financial metrics and encourage you to read our disclosures and the reconciliation tables to applicable GAAP measures in our earnings release carefully as you consider these metrics. We refer you to our filings in the Securities and Exchange Commission for detailed disclosures and descriptions of our business. as well as uncertainties and other valuable circumstances including, but not limited to, risks and uncertainties identified under the caption risk factors in our annual report on Form 10-K for the year ended December 31st, 2025 and our other SEC filings. One reminder before we begin. Effective last quarter, we present pass-through electricity costs on a gross basis rather than net. That change increases both reported revenue and reported costs of revenue by the same amount and has no effect on gross profit, operating loss, or net loss. Prior periods are not revised, so year-over-year revenue comparisons include the change. Affected slides are footnoted. With that, I'll turn it over to John.

John Belizaire | Chief Executive Officer:

Thanks, Mike. Hello and welcome to Saluna's third quarter results and business update. I want to start by acknowledging the environment. It's been a difficult market and many of you are feeling it. We are too. So we'll keep today focused on what we're doing and where we stand on what matters most, converting our AI campuses into signed leases. The thesis hasn't changed. Power is the primary constraint in the AI era. Saluna secures long-term behind-the-meter access to power at scale, and we build data centers directly on renewable generation sites. Four numbers frame where we stand. Revenue grew by 80% year-over-year, our sixth straight quarter of sequential growth. Excluding the presentation change Mike described, revenue grew 29%. We now have 206 megawatts of capacity under management following the completion of CAUTI 1 in September. We have more than 650 megawatts of planned AI capacity across our two campuses in early construction, CAUTI 2 and Dorothy 3. And our renewable power development pipeline stands at more than

6.3 gigawatts. Let's get into the quarter. On the business side, three things. First, the team. Ryan joined as Chief Development Officer in July, and he has since brought on Neil Robinson as Vice President of Construction and Mikael Stark as Vice President of Planning. We are investing in this team now so that we have construction, engineering, planning, and procurement leadership in-house as we scale the AI business and are prepared to move as our campuses advance. Second, the balance sheet. We prepaid our Generate facilities at Dorothy 1A and Dorothy 2 in August, and after quarter end, we repaid the remaining Generate balance at Briscoe Wind. With Briscoe's debt repaid, we are positioned to redirect power from the Briscoe Wind farm to the Dorothy 3 AI campus now under construction. We ended the quarter with $109 million in cash. Third, power. In September, ERCOT classified 266 megawatts across our Cottey and Dorothy campuses as base load in its Batch Zero process. These classifications preserve each campus's existing interconnection capacity and exempt it from further reliability evaluation and megawatt allocation in the Batch Zero study. A request for an additional 50 megawatts at Dorothy is under study. On the project side, Cottey 1 is complete at 83 megawatts, and Cottey 2 and Dorothy 3 both advanced in construction work after quarter end. Commercially, at Dorothy 3, we signed a subscription agreement with Applied Digital on October 20th to form a joint venture for a planned 50 megawatts, and Chronoscale has signed a non-binding letter of intent to lease that facility. At CAUTI II, we chose not to renew our prospective tenant's exclusivity and began remarketing the site. We have now entered into a new non-binding letter of intent with a different potential tenant. Ryan will take you through both campuses later. A word on the policy environment. Texas will have new leadership in Austin, and policymakers at every level are taking a closer look at data center development. We built our model with their questions in mind. Renewable computing uses clean power, including wind and solar, that already exists and might otherwise be curtailed, rather than adding new strain on the grid. It's designed to protect the communities we're part of while connecting them to the jobs and investment that come with the future of innovation. We've been making that case in person. We hosted public open houses for Dorothy 3 in Briscoe County in October and for Cottey 2 in Willisee County in November. Ryan will share more in our community update ahead. With that, I'll hand it to Ryan to walk through our pipeline and AI development. Ryan?

Ryan Carver | Chief Development Officer:

Thanks, John. Good afternoon. I'll now take you through our AI project updates for the quarter. We've dedicated projects in our existing pipeline to AI, and our AI HPC development portfolio now totals approximately 1.7 gigawatts. This chart shows where each project sits from site control and power through design, financing, and construction. Today I'll zoom in on the two projects in development, Cottey 2 and Dorothy 3. Cottey 2 sits across the street from Cottey 1 in Willisee County. It is planned at more than 350 megawatts at full build. In the third quarter, we brought our general contractor on board and advanced the phase one design into construction documents. We ordered long lead equipment. Engineering is underway to expand the Las Mahadras substation by 100 megawatts. and we executed a gas pipeline access agreement. Since quarter end, Civil One Earthworks started in October and we received our sales and use tax exemption. And on November 12th, we hosted a public open house in Raymondville for Willisee County residents. On the tenant, last quarter, we told you that we had signed a letter of intent for CAUTI II. During the quarter, we decided not to renew that tenant's exclusivity. because we did not expect the tenant to meet the credit requirements we set for a lease of this size. We remarketed the site, which generated strong customer interest and demand. We have signed a new letter of intent with a new customer that we expect to meet our credit requirements. We'll update the market when we have a definitive agreement to announce. Now to Dorothy 3, starting with the partnership we announced in October. We signed a definitive agreement with Applied Digital to form a jointly-owned project company for a planned 50-megawatt AI data center, which will be the first phase of Dorothy 3. At closing, Applied Digital is expected to own 51% and Saluna 49. Both partners fund development in line with their ownership, and Saluna also contributes land and power assets. Applied Digital brings AI data center experience. Saluna brings a wind-powered site with power generation we own. Chronoscale has signed a non-binding letter of intent to lease the facility, and lease negotiations are underway. Closing is expected by early December, subject to remaining conditions. Dorothy III is planned at

more than 300 megawatts on 397 acres next to our Briscoe wind farm. In the third quarter, we closed on the land in August, launched master planning and long-wind procurement, and completed environmental, water, survey, and fiber studies. Since quarter end, we hosted a public open house in Silverton on October 2nd, and construction work also began in October. We received our sales and use tax exemption, and on November 9th, Briscoe County approved a tax abatement agreement for the project. With the generated debt at Briscoe repaid, we can now direct power from the wind farm to the campus. This slide brings both campuses together. What we've completed in the third quarter, what's done or in motion since, and what comes next. At Cottey 2, the third quarter was about design and procurement. We brought on our general contractor, moved Phase 1 into construction documents, ordered long-lead equipment, started the Las Mojadas substation expansion, and executed a gas pipeline access agreement. Since quarter end, civil and earthworks have started, we received our sales and use tax exemption, and we hosted a public open house in Raymondville on November 12th as part of the property tax abatement process. With assigned LOI, we expect the next milestone announcements to be assigned lease and project financing. At Dorothy III, we closed on the land in the third quarter, launched master planning and long lead procurement, and completed site studies. Since quarter end, we've signed a definitive agreement with Applied Digital for phase one. Construction work started. We received our sales and use tax exemption. Briscoe County approved the property tax abatement on November 9th, and we repaid the generate debt, freeing Briscoe's power for the campus. Closing the Applied Digital joint venture is in progress and expected by year end, subject to remaining conditions. The next milestones are converting the Chrono Scale Letter of Intent into a signed lease and the first RFS tranche delivery. As John mentioned, Both campuses build on power we already hold. Cottey 2 Phase 1 sits within the 166 megawatts of base load at Cottey and Dorothy 3 Phase 1 within the 100 megawatts at Dorothy. The milestones marked targeted don't have committed dates. We'll report on them as they happen. One more topic before I hand off because investors have asked about it and it matters to how we build. Communities and policymakers across Texas are taking a closer look at data center development. Our approach is to engage early and in public. Over the past six weeks, we hosted open houses in both counties with bilingual materials and a dedicated community engagement lead. A few proof points. Power. Both campuses are co-located with sustainable wind power and connect to the high voltage system. Not the local lines, it's for homes. Water. Cooling is designed to be a closed-loop system using minimal water. Sound and light. The Dorothy III agreement sets sound limits in nearby homes, measured by an independent consultant, along with shielded downward lighting standards. Economic opportunity. Phase I is expected to create about 21 full-time jobs at Dorothy III and about 40 full-time jobs at Cottey II once fully operational, with the preference for local workers and vendors. With that, I'll hand it to Mike Picchi for the financials. Over to you, Mike.

Michael Picchi | Chief Financial Officer:

Thanks, Ryan. I'll cover the balance sheet, the P&L, and how we used capital in the quarter. Let me start with the balance sheet compared with year-end 2025. We ended Q3 with $109.3 million in cash available for project development and operations, up 43% from $76.4 million at year-end. Our current ratio improved to 2.5 times from 1.9 times and working capital is a positive 76.9 million up from 42.9 million at year end. On the asset side, net property, plant and equipment nearly doubled to 147.4 million from 74.8 million at year end. That's the Briscoe Wind Farm acquisition in April for $54.4 million, $10 million for the Dorothy III land acquisition, and build out capex and equipment deposits of $28.9 million, primarily for the completion of Cottey I and continued development of Cottey II, partially offset by depreciation expense in the year-to-date period. Saluna has been deploying capital into hard assets that will generate future returns. Total assets were $297.7 million, up from $187.9 million at year end. On the liability side, total liabilities fell to $67.1 million from $75.7 million at year end. And total debt, net of issue cost, fell to $16.7 million from $26.8 million at year end. Last quarter, I told you we had reclassified our Generate debt to current because we intended to repay it, and we did. In August, we prepaid the Generate facilities at Dorothy 1A and Dorothy 2, and after quarter end, we paid off the remaining Generate debt tied to the Briscoe Wind Farm and extinguished the Generate loan facilities. Thus, while the September 30th debt was $16.7 million net of issue cost, After the October final repayment of Generate, total debt balances are under $8 million. Using Saluna Cash to pay off debt has three

benefits. First, deleveraging in uncertain AI market times is prudent. Second, with the generate liens on the Bitcoin and wind farm assets released, Saluna can begin executing on redeploying those assets toward AI projects. And third, Saluna now has financial flexibility to reset the capital structure for the new AI programs we'll need to fund when we're successful signing new leases. In the equity portion of the balance sheet, we raised $170.1 million year to date through the ATM and SEPA programs. Here's where it went. $51.4 million of net cash went for the Briscoe acquisition, $28.9 million to CapEx and equipment deposits, $20.1 million to buy out the JV partners at Dorothy 1A and Dorothy 1B, and $40.5 million to debt repayment, including the $19.1 million generate prepayment in August. The remaining portion of the equity raises supported operations in the form of $32.9 million going back onto the balance sheet as an increase in the cash balance. The short version, we own more infrastructure, we have less debt, and we have more cash than we started the year with. Turning to the P&L. Revenue was $15.1 million, up 80% year over year, and roughly flat sequentially, our sixth straight quarter of sequential growth. Excluding the change in presentation of pass-through electricity costs we adopted last quarter, revenue grew $2.4 million, or 29% year over year, on higher hosting and leasing revenue. Sequentially, lower site availability reduced volumes across our Bitcoin sites by about 700,000. That was offset by revenue recognized on a leasing contract termination at SOFI. By specific revenue line, data hosting revenue was 12.4 million, up 5.3 million a year ago. When generation added $594,000 net of intercompany elimination, Offsetting that, proprietary mining revenue declined $916,000 or 33% on a 37% decline in average hash price. Gross profit was a loss of $1.9 million compared with a profit of $2.3 million a year ago and $766,000 last quarter. Here's what drove that. The Briscoe Wind Farm carried $3 million of unscheduled turbine repairs and maintenance in the quarter. Excluding those repairs, gross profit would have been $1.1 million, a 7.5% gross margin. Underneath the consolidated number, Data Hosting delivered $1.7 million of segment gross profit, the largest contributor. Demand response contributed $251,000 of gross profit at effectively full margin. Proprietary mining posted a gross loss of $508,000 on hash price compression. And wind generation posted a gross loss of $3.3 million, including the repairs mentioned above. Net loss was $34.3 million compared with $25.8 million in Q3 2025. The absence of a $22 million fair value adjustment loss from a year ago was more than offset by $17 million of higher GNA, including $14 million of non-cash stock compensation expense and a $15.8 million unfavorable charge in debt extinguishment. A loss on the generate prepayment this year compared with a gain on the New York Digital Investment Group settlement last year. Lower financing costs of $4.7 million were partially offset by $4.2 million of lower gross profit. Adjusted EBITDA was a loss of $7.5 million compared to a loss of $1.6 million in Q2 and $6.4 million in Q3 2025. Sequentially, adjusted EBITDA declined by $5.9 million. This was driven by $3 million in Briscoe repairs and $2.5 million in AI high-performance computing business development activity. including legal and advisory costs, and the evaluation of new power and data center sites. Year over year, adjusted EBITDA declined $1.1 million. Excluding the $4.7 million of financing costs in Q3 2025, it declined $5.8 million. The drivers were the $3 million of Briscoe wind repairs, $3.1 million of higher cash G&A from legal and consulting costs and added headcount, and Lower Mining Margins. Those were partially offset by higher hosting revenue and margin contribution. Full reconciliations are in the appendix and the earnings release. Now to capital, which is the part I focus on and get the most questions about. When discussing the equity section of the balance sheet earlier, I mentioned the 170.1 million we've raised year to date through the ATM and SEPA. For Q3, sources and uses totaled 46 million. We raised 37.7 million through the ATM program, issuing 30.4 million shares. The remaining $8.2 million came from cash, as cash and restricted cash went from $131 million at June 30th to $123 million at September 30th. And here's where it went in Q3. $22.5 million to debt repayment, mainly the generate prepayment. 13.8 million to net capex and equipment deposits, mainly the Dorothy III land and Cottey II deposits, $9.7 million to working capital and other, mainly HPC-driven G&A. Subsequent to quarter end, on October 22nd, we repaid the remaining generate balance at Briscoe Inn. The facility has been terminated and generates liens on the project assets have been released. Together with the August prepayment, that reduced total debt from $37.9 million at June 30th to $7.7 million. At our 2026 annual meeting on October 16th, stockholders approved an increase in authorized common stock from 375 million shares to 1 billion shares and the issuance of shares above NASDAQ's 20% limit under our Yorkville SEPA. Now let me close on how we intend to fund what Ryan described. Winning an AI contract requires investment before the contract exists. Fiber studies, environmental and geotechnical work, long lead equipment deposits, site design, joint venture formation, and securing power. A customer performing

diligence on a site is evaluating work that has already been done. You cannot wait to be awarded a contract and then begin. Our policy for the large build-outs is project-level debt. For a 100-megawatt build-out, which we estimate at $1.2 to $1.3 billion, we would target 70% to 80% project-level debt, sized against the contracted tenant cash flows under the lease. The remaining 20% to 30% would come from a mix of saloon contributions, third-party project equity, and tenant-provided prepaid rent. Our joint venture with Applied Digital at Dorothy 3 is an example of that partnership structure, with each partner funding in line with its ownership. We would expect the debt and equity formation to occur in the 8-12 week period following announcement of a signed lease. Having capital already available to begin construction in that window is another use of the cash on our balance sheet. Our existing operations and our AI projects are capitalized separately at the project level, which gives each access to capital appropriate to its risk profile. This is how we plan to underwrite an AI lease. At the lease rates currently being struck in this market for critical IT capacity on long duration, triple net terms, A 100 megawatt 15 year contract would generate sufficient revenue and net operating income to service and retire the project level debt and deliver a strong multiple on the equity invested. The illustrative case on this slide shows roughly $180 million of stabilized annual net operating income against an estimated $1.2 to $1.3 billion build out based on the assumptions disclosed here. When we do reach an agreement, the results may differ materially. I offer it to explain why we are investing ahead of a contract. It is not a forecast and consider that this is just the first 100 megawatts of our AI pipeline with expansion possibilities at each campus and additional projects to layer on top. In summary, Q3 was a quarter of execution and deleveraging. We completed Cottey 1, repaid our generate facilities at Dorothy 1A and Dorothy 2, and after quarter end at Briscoe Wind, we ended the quarter with $109.3 million in cash and continued investing in Cottey 2 and Dorothy 3. With that, I will hand it back to John.

John Belizaire | Chief Executive Officer:

Thanks, Ryan and Mike. Let me close with where this leaves us. Look at Dorothy 3 today. We own the land. The wind farm next door is ours and its debt is repaid. ERCOT has classified the campus's power as base load in their batch zero process. Construction work has started. We've signed an agreement with Applied Digital to form a joint venture and Chronoscale has signed a letter of intent to lease the facility. Land, Power, Construction, a Partner, and a Prospective Tenant. These are the building blocks of an AI campus, and at Dorothy 3, they're in place. The next steps are closing the JV and a signed lease. CAUTI 2 is moving as well, with Earthworks underway and a new tenant LOI signed this month. And we've built the company to deliver. Construction and Procurement Leadership in-house, $100 million in cash, and a financing approach, which Mike walked you through, built to move quickly once a lease is signed. That's how we turn power into AI campuses, and it's all built on clean energy that might otherwise be curtailed. That's renewable computing, and it's our mission to make renewable energy a global superpower using computing as a catalyst. Thanks for your time. Operator, we'll take questions now.

Operator | Conference Call Operator:

We will now begin the question and answer session. Please limit yourself to one question and one follow up. If you would like to ask a question, please press star one to raise your hand. To withdraw your question, press star one again. We ask that you pick up your handset when asking a question to allow for optimal sound quality. If you're muted locally, please remember to unmute your device. Please stand by while we compile the Q&A roster. Your first question comes from the line of Mike Colonese from H.C. Wainwright. Your line is now open. Please go ahead.

Mike Colonese | Analyst, H.C. Wainwright:

Hi, guys. Congrats on all the progress with executing your AI strategy. Really, really good stuff here. It sounds like you're able to attract a higher credit quality perspective tenant for Cottey, too, which is great. First, how far along are negotiations there? And is it possible to provide some more color around the profile of the new potential tenant. Is this a hyperscaler, AI lab, enterprise customer? Any additional color would be helpful there.

John Belizaire | Chief Executive Officer:

Mike, this is John Belizaire, and I'll take the question. Thanks for joining the call and asking the question. When we remarketed the site, we remarketed across the board to a number of hyperscalers and neoclouds. And we can't go into the profile of the customer exactly. We try not to do that. but what you can take away is that this potential tenant will fit closer and exactly to our Our credit requirements, and that's one of the key things that we filter on. Lots of people want our site, but it's hard to say yes to everybody until they can meet our credit requirements. In terms of negotiations, we're going into diligence with them in parallel with the lease negotiations and structuring of that. and a number of other people. And we're also talking to them about some expansion opportunities.

Mike Colonese | Analyst, H.C. Wainwright:

I appreciate all the color there, John. And Mike, maybe one for you. I know you went through the illustrative example there in terms of what yield on cost could and many more.

Michael Picchi | Chief Financial Officer:

Earlier in the year, call it Q3, early Q, sorry, Q2, that we were targeting 13 to 14 percent yield on cost. But now that borrowing costs have gone up across the sector, our target yield on cost is also increasing. So we're tracking that spread in terms of what financing costs were six months ago versus what we think they'll be now upon lease signing. So our targets for yield on cost are increasing.

Mike Colonese | Analyst, H.C. Wainwright:

Got it. And just one more if I can slip in. It sounds based on your prepared remarks, Mike, that you're expecting, if I'm not mistaken, project level financing to potentially close 8 to 12 weeks after lease signing. Any color you could provide in terms of how discussions are going with potential lenders given the current environment?

Michael Picchi | Chief Financial Officer:

Just to remain flexible to different options. While high yield, Markets been really tight and closed. There's other private credit transactions. There's investment grade offerings as well. So to be nimble and go where the market allows you to get things financed in these tougher times.

Mike Colonese | Analyst, H.C. Wainwright:

Appreciate you taking my questions. Thank you.

Operator | Conference Call Operator:

Your next question is from the line of Chris Brendler from Rosenblatt. Your line is now open. Please go ahead.

Chris Brendler | Analyst, Rosenblatt:

Hey, thanks. Good evening and thanks for taking my questions. I wanted to start with one of the obvious ones in the election results and what that potentially could mean for some of your sites. I know that the governor-elect has said some encouraging things on existing sites, ones that are at base load, but I wanted to see what your perspective was on and the future developments at both Claudia and Dorothy. Thanks.

John Belizaire | Chief Executive Officer:

Thanks for the question, Chris. I appreciate it. I'll take that one. We've been operating in Texas for a long time, and we certainly understand the focus on power affordability being responsible with water use and certainly giving communities a seat at the table. I would say that our approach combines co-location with existing generation. We're using closed-loop cooling systems, and we've been doing a tremendous amount of ongoing community engagement. One of the things that has been concerning in some states is that data centers get built and the community doesn't have a say. We've held public open houses in Briscoe and Willisee counties in the last few months to explain our plans, hear residents' concerns, and we'll continue that engagement as our projects progress. We do believe that the Saluna model is perhaps a blueprint for how these projects should be built in these states. because we integrate with power that would otherwise get wasted. We don't strain the grid on prices. We design our data centers to be light touch from an environmental perspective, and we spend an inordinate amount of time communicating with our communities to collaborate with them on how best our investments can help to grow their base, create jobs, and create an entire industry to elevate those regions. And so as policy gets created in the coming months and years in Texas, we certainly want to have an opportunity to share what we do as a spotlight for how things should be done from a data center development perspective.

Chris Brendler | Analyst, Rosenblatt:

That's fantastic. Thank you. My second question is on the agreement with APLD and and the potential for that transaction to close. Sounds like that is moving up the timeline. You've got the tax abatement done and it's potentially going to close in early December before year end. What's left? What are the key items that are left? And is there any sort of way you can talk about the potential and a number of other people. So I think it's important to think about how much of the reimbursement, if it doesn't close, and how much of the $45 million cap they've spent to date.

John Belizaire | Chief Executive Officer:

I'll start. I'll do the first part. You can do the second part, Picchi. So in terms of work streams, you're right. The tax abatement and sales and use tax work stream was completed, I'd say. on schedule or slightly ahead of schedule. So we're moving quite well there. Most of our activity is focused on finalizing the PPA with the Briscoe Wind Farm, the JV agreement itself. We're finishing up some details there. The EPC contract with the contractor, finalizing that, and a land-related contribution agreement that we're working on. So it's really a

series of documents that we have to get to integrate and work together well is where most of our focus is right now. And as you mentioned, there's construction work underway and investment being made to advance the project. and I can turn it over to Mike Picchi to comment a bit on that. There hasn't been public commentary from the company about from APLD rather about their investment in the project so we have to be careful about what we share here but turn it over to you Picchi.

Michael Picchi | Chief Financial Officer:

Yeah I'm sure they would prefer us to not comment on and quantify how much they've begun spending but that was part of the benefit of the joint venture in terms of Saluna providing access to power and the land that things could get ramped up very quickly. Applied Digital providing construction expertise. Ryan mentioned 900 megawatts they've already built out, but also access to capital. And so they could get this project funded. In terms of that $45 million, if the joint venture were not meant to go through, Saluna looks at it as if for some reason this joint venture doesn't go through, we're going to have real value in that the pre-work construction that are already being developed and we'll pivot to another customer. So it won't be sunk cost of $45 million out the door, just be an investment in getting that data center built quickly for whoever were to step in to apply digital shoes if we didn't get completion on the joint venture.

John Belizaire | Chief Executive Officer:

But to be clear, we felt pretty good about bringing that to a close. Yeah.

Chris Brendler | Analyst, Rosenblatt:

Yeah, because early December is not that far away. So I just wanted to make sure that that's a good point about having the ability to reuse that if things were to go south. It's a tougher environment, but you guys seem to be focused on the right levers and look forward to hearing more progress. Thanks so much.

Operator | Conference Call Operator:

Thank you. Your next question comes from the line of Eric Goldstein from Water Tower Research. Your line is now open. Please go ahead.

Eric Goldstein | Analyst, Water Tower Research:

Oh, hey, guys. Congrats. Congrats. You accomplished quite a bit during the quarter and so far in the fourth quarter. So I guess I just had a couple follow-ups. Just in terms of your debt discussions and the target of 80% debt levels, just In the current market environment, do you still feel pretty confident that that's realistic?

Michael Picchi | Chief Financial Officer:

Yeah, I'll take that one, John. We're definitely keeping our pulse on the debt markets, which have been obviously disrupted these last few months. Lending ratios may have come down a bit, maybe to allow 70% to 80% debt funding. I mean, we're seeing customers willing to make prepaid rent payments as part of the lease. I mean, these customers are motivated. They know the build-out has to get funded. So what are the terms that allow that to be, whether it be the credit package or prepaid rent? And we can use a portion of that prepaid rent to start funding the build-out. So the willingness to discuss prepayments reflects the value customers place on securing power and delivering capacity and could reduce the upfront equity required

eventually.

Eric Goldstein | Analyst, Water Tower Research:

OK, that's great. And then just the last question I had, you made a lot of progress on the balance sheet the end of the quarter with a fair amount of cash. Are there any just how do we think about, you know, kind of cash levels going forward? and your desire to continue to use the ATM. Are there any targets or minimum cash targets you're comfortable with?

Michael Picchi | Chief Financial Officer:

Well, you want to go first, John?

John Belizaire | Chief Executive Officer:

No, you can take this one, Mike. Thank you. Okay.

Michael Picchi | Chief Financial Officer:

We're very proud of what we've done on the capital raising side this year and how we've deployed that capital in terms of real hard assets that set the company up for success in years to come. Of that $109 million at September 30th, we did use a portion of that to pay off the remaining generate debt in October and we will use a portion of that cash balance to fund long lead equipment and site or early site works at Cottey too. So we have set targets and thresholds that we don't want cash balances to go below. We've not been very active with The ATM here in the fourth quarter, given the current price point. But we have a number of financing alternatives available to us, whether it be the ATM or the SEPA. And so just excited about the opportunity to raise larger amounts of debt capital at the project level when and upon securing the leases, a lease at Cottey 2. and working with Applied Digital for the lease that the joint venture is going to have with Chronoscale.

John Belizaire | Chief Executive Officer:

Yeah, and I would add the way to think about our Our approach to capital, just as a reminder for shareholders, is we've got the parent company has a series of tools. We have our ATM, our shelf, and our SEPA. And those are the three primary tools we use at the parent company level. And of course, we have project level tools that we can use where we can raise debt and or equity at the project level. to finance activities, both pre-construction, early works into full construction. And then we have tools in the lease itself that we can use to finance construction activities. What Mike and I and the team do with Ryan is look at the best tool to use at every stage of the project's life cycle. and decide what's the lowest cost of capital at that time and deploy that capital that way. And as Mike mentioned, we do have minimum cash points that we maintain to keep our balance sheet healthy. And as you see, we've retired debt to allow us to be flexible as we put in some of these new tools in place.

Operator | Conference Call Operator:

Okay, thank you. We have reached the end of the Q&A session and this concludes today's call. Thank you for attending. You may now disconnect.