BitFuFu First Quarter 2026 Earnings Conference Call Transcript
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Charley Brady: Vice President, Investor Relations

Thank you, operator. Ladies and gentlemen, good morning, and thank you for joining BitFuFu's First Quarter 2026 Earnings Conference Call. The Company's financial results were released earlier today and are available on BitFuFu's Investor Relations website at ir. bitfufu. com and GlobeNewswire. com.

Joining me today on the call are Chairman and CEO Leo Lu and CFO Calla Zhao.

As we begin, please note that today's call will contain forward-looking statements under the safe harbor provisions of the U. S. Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties, and actual results may differ materially. We refer you to our filings with the SEC for a full discussion of these risks. The Company assumes no obligation to update any forward-looking statements, except as required by law.

We will also discuss non-GAAP financial information on this call. The Company provides this information to supplement information prepared in accordance with U. S. GAAP. A reconciliation of these measures to the Company's reported GAAP results can be found in the reconciliation tables provided in today's earnings release.

Finally, for those new to our call: we will not be conducting a Q&A session on the call itself. However, if you have any questions, please send them to ir@bitfufu. com. We aim to respond within 24 hours, we value your questions and are committed to transparent, timely communication.

I will now turn the call over to Leo Lu, Chairman and CEO of the Company, to begin the management discussion.

Leo Lu: Chairman and CEO

Thanks, Charley, and thank you all for joining us today.

As we begin, let's take a moment to step back and look at the broader landscape, not just for BitFuFu, but for the entire Bitcoin mining and infrastructure space.

The first quarter of 2026 has been defined by a return to volatility. Bitcoin's price rebounded from $87,000 at the end of December 2025 to $96,000 in early January, then fell sharply to $63,000 by mid-February. This wasn't an anomaly. It reflects a maturing cycle: bull markets build hype, and bear markets build resilience.

Across the industry, we've seen peers react in different ways. Some doubled down on expansion, locking in debt or selling BTC to fund their growth. Others chose to pause operations to avoid losses. We observed these patterns closely. They taught us something critical:

The companies that survive, and eventually thrive, are not those that chase the highest growth rate during bull markets, but those that design their business to withstand inevitable downturns.

At BitFuFu, our strategy from day one has been clear: we are building for consistency across cycles, with the discipline to manage through volatility.

That means focusing on structural advantages, such as asset-light agility, capital-light scalability, operational discipline, and technological leverage. This quarter, we leaned even harder into that philosophy.

Our dual-engine model remains central. In the first quarter, we focused on proof through execution. The quarter was not simply about reallocating hashrate. It was about using our dual-engine model, combining cloud mining's stability with self-mining's upside, as the operating framework that guided our decisions in a low price environment.

Here's what that looked like in practice:

First, we deliberately reduced self-mining exposure to preserve liquidity and mitigate risk during significant price volatility.

Second, we leaned further into cloud mining to prioritize more durable, recurring performance. evenue grew to $57.5, up 7.1% year-over-year, and net dollar retention rate was 85.7%. Results were driven by disciplined client management, platform reliability, and consistent service execution.

Third, we invested in efficiency across both engines by purchasing S21 units and optimizing their deployment. Average fleet efficiency improved to 17.7 joules per terahash from 23.2 joules per terahash a year ago. This improvement is structural and strengthens our cost position through cycles by lowering our cost of production.

These were deliberate choices, but the differentiator was how we executed them. The key was operational discipline, not just in finance, but in the field.

We implemented multiple layers of cost control.

First, we reduced site operating expense by cutting non-essential maintenance, optimizing staffing, and consolidating logistics. This delivered meaningful savins.

Second, we leveraged BitFuFu OS to dynamically manage mining operating modes. We overclocked to maximize output during favorable price windows and underclocked to reduce power consumption and protect margins during prolonged downturns. Through an AI-enabled dashboard, we coordinate a large fleet and make real-time decisions based on market, power, and hardware metrics.

Third, we managed operating costs through disciplined Bitcoin sales, strategically timing BTC disposals to better match power expenses and operational needs. In essence, we treated Bitcoin not just as an asset, but also as a source of strategic liquidity to maintain financial balance and operational resilience.

We also delivered meaningful operational improvements. Power capacity at the end of the first quarter was 457 MW, slightly lower than 478 MW at the start of the year, primarily due to higher machine efficiency rather than capacity reduction. We're producing more hashrate per unit of power, which strengthens our cost position and supports better margins going forward.

To be clear, Q1 was not without its challenges.

Gross margin, particularly in self-mining, declined year-over-year due to increased network difficulty, lower BTC prices, and the carrying cost of higher-priced hashrate procured in the prior quarter.

In response, we strategically reduced our self-mining exposure to prioritize capital preservation and risk management, and we reallocated capacity toward cloud mining, which supports a more durable and predictable margin profile.

So yes, we felt the pressure. But we responded proactively. We didn't wait for the market to recover to improve the model. We made adjustments to ourselves through scale, flexibility, and operational execution.

Looking ahead, we're moving from defense to offense with discipline. We plan to scale deliberately, invest selectively, and expand within a clear risk framework.

Here's our roadmap for Q2 and Q3:

First, we plan to optimize our procurement mix by selectively increasing the portion of longer-term, 360-day hashrate contracts. Short-term agreements will continue to comprise the majority of our portfolio, but increasing the mix of long-term commitments is intended to improve operational stability and help mitigate rollover risk. As a result, total managed hashrate by year-end may remain relatively stable, while the portfolio becomes better positioned, should network difficulty growth slowdown as other major miners transition to AI and HPC. We see this as a strategic window and an opportunity to lock in cost-effective, long-term hashrate while Bitcoin prices remain in a lower range, which can improve upside participation while managing downside risk.

Second, we will continue to evaluate opportunities in real world assets and energy, but only where they align with our core economics and risk profile.

Finally, we will maintain our focus on capital efficiency. We intend to remain disciplined on equity issuance and avoid speculative bets. We expect to fund growth through a combination of operating cash flow, selective Bitcoin sales, and our $100 million revolving credit facility, which supports financial flexibility while limiting dilution.

This is not a pivot. It's a progression in how we manage the business through cycles. These strategic priorities guided our execution in Q1, and despite market headwinds, they improved the durability of our model.

I will now turn the call over to Calla to provide more details on our financial results.

Calla Zhao: Chief Financial Officer

Good morning, everyone and thanks, Leo.

Let's take a closer look at our first quarter results, starting with revenue, and more importantly, what drove it.

Cloud Mining Solutions remained our largest revenue source at $57.5 million. This represents 7.1 percent year-over-year growth and accounted for 79.1 percent of our total revenue, reinforcing the resilience of our core platform and why we continue to lean into cloud mining.

Self-Mining Operations contributed $11.4 million in Q1, down 35.2 percent from the same period last year. The decline reflects a combination of market conditions and our deliberate decision to reduce self-mining exposure to preserve liquidity and reallocate hashrate toward cloud mining Solutions, which supports a higher and more predictable margin profile.

We saw significant growth in Hosting and Other Services in the first quarter, increasing to $3.8 million compared with $0. million in Q1 2025. This growth was driven primarily by our 2025 mining facility acquisition, which enabled us to offer a 'buy & host' one-stop solution that meets client demand for both asset ownership and operational simplicity.

Finally, I want to highlight customer retention. Our cloud mining net dollar retention rate was 85.7 percent in Q1, reflecting continued customer engagement and platform reliability in a volatile market.

Now, turning to costs, cost of revenue was $72.3 million, up a modest 1.0% year-over-year despite a 6.8% decline in revenue. In addition to the year-over-year increase in network difficulty, the primary driver was higher costhashrate procured during Q4 2025. Those contracts were entered into when Bitcoin prices were higher, and they pressured gross margin as prices moved lower in Q1.

We view this as a timing effect rather than a change in underlying operational efficiency. We are already taking action to realign our cost structure with current market conditions by renegotiating contracts, improving procurement timing, and locking in more cost-efficient hashrate at current market rates.

Net loss for Q1 was $35.0 million, compared to a loss of $16. million in the same period last year.

Importantly, losses on our Bitcoin holdings and digital asset receivables and payables. Excluding the fair value loss impacts, Adjusted EBITDA would have been approximately positive $1.1 million.

As of March 31, 2026, our balance sheet remains strong. Total cash and digital assets stood at $141.5 million, compared to $177.1 million at year-end, primarily reflecting mark-to-market impact from a lower Bitcoin price. Total Bitcoin holdings were 1,794 BTC, including 357 BTC pledged as collateral for loans and payables. We continue to manage our Bitcoin treasury strategically to support operations and maintain financial flexibility.

And importantly, we continue to maintain a strong liquidity position supported by our $100 million revolving credit facility. We ended the quarter with $15 million outstanding under the revolver, and subsequent to quarter end, we reduced that balance to $5 million. This reflects our ongoing commitment to strengthen our balance sheet and preserve financial optionality, and it gives us flexibility to fund growth, invest selectively, or preserve capital as market conditions evolve.

In summary, Q1 was a quarter of disciplined execution. We managed costs, preserved liquidity, and maintained a strong balance sheet, even in a challenging market.

While our GAAP results were impacted by market-driven, fair value changes, the underlying operating performance of the business was solid, and we believe we are well-positioned for the next phase of growth.

I’ll now turn it back to Leo to close out the call.

Leo Lu, Chairman and CEO

Thanks, Calla. Q1 was not about headline numbers. It was about execution: preserving capital, refining our cost structure, and strengthening the business.

We achieved this by reducing self-mining exposure, improving fleet efficiency, managing our Bitcoin treasury with discipline, and maintaining strong customer execution in cloud mining.

As a result, we enter Q2 with a stronger foundation, clearer priorities, and greater flexibility.

We are not chasing trends. We are building a business designed to perform through cycles.

. We are preparing for the next cycle. We are confident the discipline we showed in Q1 will translate into results in the quarters ahead, as efficiency gains and procurement improvements strengthen our cost structure.

To our shareholders: thank you for your trust. We remain committed to delivering long-term, sustainable value through execution, transparency, and a focus on building a business that lasts.

This concludes our prepared remarks. Thank you for your time, and we look forward to updating you again next quarter.