Ionic Digital Second Quarter 2026 Earnings Call

Edited Transcript

August 19, 2026

Editorial note: This transcript has been edited for readability. Verbal fillers, false starts and repeated words have been removed; grammar and punctuation have been standardized; and names, technical terms and numerical references have been reconciled to Ionic Digital's Second Quarter 2026 earnings presentation, earnings release and prepared remarks. Brief passages affected by transcription errors were reconstructed conservatively from the surrounding discussion and referenced materials. Source timestamps were not available and are therefore not included.

Prepared Remarks

Operator | Conference Operator

Thank you for standing by, and welcome to Ionic Digital's Second Quarter 2026 Earnings Call. As a reminder, today's program is being recorded.

I would now like to introduce our host for today's program, Hannah Stuckey, Director of Investor Relations. Please go ahead.

Hannah Stuckey | Director of Investor Relations

Good afternoon, and welcome to Ionic Digital's Second Quarter 2026 Earnings Call. With me today are our Chief Executive Officer, Andy Stewart, and our Chief Financial Officer, Chris Hickman. Before we begin, a brief reminder.

Statements made on today's call, in our presentation and in our press release contain forward-looking statements, including statements about our contracted revenue, growth pipeline and capital plans. Actual results may differ materially. These statements are subject to the risks described in the Risk Factors section of our prospectus, which you should read in full.

We undertake no obligation to update these forward-looking statements, except as required by law. For additional information on non-GAAP financial measures discussed on today's call, please refer to the reconciliations to the most directly comparable GAAP measures. These reconciliations are available in today's earnings release and investor presentation, both of which can be found in the Investor Relations section of our website.

With that, I'll turn the call over to Andy.

Andy Stewart | Chief Executive Officer

Thanks, Hannah, and good afternoon, everyone. We're excited to be here on our first earnings call after completing our direct listing last month. We also recently achieved two important milestones: we energized the first data center, and cash rent commenced under the Ward County lease.

Most of what you'll hear from me this afternoon was also discussed at our Investor Day in July. That webcast and presentation are both on our website. If this is your first time listening to us, that's a great place to start.

Chris will take you through the quarter in a few minutes, so I'll start with recent developments in ERCOT's Batch Zero process, then return to a few highlights from our Investor Day.

Ward County is our flagship site, located on 136 acres that we own in West Texas. Our facility extension agreement with our interconnecting utility, Texas New Mexico Power, or TNMP, was executed in 2021 for 700 megawatts. The initial 234-megawatt phase was energized in 2023.

The 466-megawatt expansion has been planned around two transmission and substation upgrades: a 138-kV system with TNMP and a 345-kV system with Oncor, with energization expected by the end of 2027. Notably, these are separate from the 765-kV system being planned elsewhere in the state.

Our path to the incremental 466 megawatts is not a new project, and we are not seeking a new interconnection. Rather, it advances an agreement that has been in place for five years. In addition, the site has already achieved initial energization and has an existing operating load at the point of interconnection. These facts allowed TNMP to file the site as Base Load with ERCOT in July.

Turning to the recent pause in ERCOT's Batch Zero announcement, on August 3, Governor Abbott directed ERCOT to verify the large-load projects in its interconnection queue. ERCOT then paused the Batch Zero process.

We expect ERCOT to provide additional details on its next steps at the Commission's open meeting on August 20. ERCOT has said the verification will focus on roughly 250 to 300 projects totaling approximately 200 gigawatts, out of a large-load queue of approximately 474 gigawatts. This exercise is intended to substantiate what has already been filed.

ERCOT will send requests for information through the utilities, which means ours will come through TNMP, and we will respond promptly and completely. The substance of our filing does not change with the calendar. If anything, we believe a longer and more rigorous review favors sites that can document real operating history, such as ours.

What we do not have is a date, and we are not going to speculate on one.

Let me say a word about the broader environment in Texas. Ionic supports Governor Abbott's efforts to promote responsible data center development in the state, and we have committed to comply with applicable state requirements and to participate fully in the PUCT and ERCOT verification and audit process.

We believe a transparent, rules-based process works in our favor, and we intend to be a constructive participant in it. There are three reasons we believe our request is well-positioned.

First, the facility extension agreement covering all 700 megawatts was executed in 2021. TNMP filed the interconnection studies with ERCOT in 2022, and ERCOT approved the first phase that same year. The full 700 megawatts has been carried in TNMP's transmission planning since 2023.

Second, our request is not speculative. We have been drawing power at this point of interconnection since 2023, with a contracted tenant behind it.

Third, the work on our side is funded and moving. We have executed our EPC contract and ordered the long-lead-time transformers required for the substation upgrade, with delivery expected in early 2027. That positions us to begin development late this year.

As a result, we continue to believe we are well-positioned to receive approval from ERCOT and achieve energization by the end of 2027, following completion of the two utility infrastructure projects that are under construction. The regulatory timing isn't ours to set. Being ready for it is.

Starting with page five, our total pipeline includes utility capacity totaling 822 megawatts, concentrated in the high-demand West Texas market. Our anchor contract is the Nscale lease, initially contracted at 234 megawatts and totaling $1.9 billion of contracted revenue. It was amended earlier this year for an additional 89 megawatts, bringing the total to 323 megawatts and $2.6 billion of contracted revenue.

NVIDIA guarantees the first five years of rent on the initial contracted capacity, and Nscale has granted Microsoft an option on additional power at the site if it becomes available. We're also operating from a position of real financial strength, with a debt-free balance sheet and nearly $600 million of liquidity.

Put it together: contracted revenue, embedded growth within our existing footprint, an experienced management team, a strong balance sheet and a clear forward strategy.

Page six shows our executive team, the five of us brought together over the past year to complete Ionic's transition into a data-center-first company, each with decades of experience building and operating infrastructure at scale.

Page seven shows our existing footprint. In addition to our Ward County asset, we control 112 megawatts of grid power across four sites in Midland. These sites are mining Bitcoin today while we complete the pre-development work required to convert them into HPC and AI data centers. Pre-development across all four sites is underway, and we're already fielding inbound interest from prospective tenants.

Turning to page eight, this shows how our existing footprint reaches 822 megawatts of grid power. Start on the left with where we are today: 234 megawatts energized and under contract at Ward County. From there, the incremental 89 megawatts, then the remaining 377 megawatts that take Ward County to its full 700 megawatts, plus 112 megawatts across our four Midland sites, expanding to 122 megawatts next year.

When combined, you arrive at 822 megawatts of total utility power. This comprises two of our three growth pillars. The first is our contracted base. The second is embedded growth from grid capacity within a footprint we already control.

The third, on page 10, is what we believe will be the next wave of AI demand: inference and agentic workloads. An inference site isn't a training campus in a smaller size. It's a different product, always on, sub-100-megawatt and latency-sensitive, so it has to sit close to the enterprise rather than in a remote area.

The demand we're targeting in and around major metros is a natural extension of what this team has done for decades. We're excited about where we are today, but even more excited about what's ahead.

With that, I'll turn it over to Chris.

Chris Hickman | Chief Financial Officer

Thanks, Andy. Good afternoon, everyone. Starting with our second quarter results on page four, total revenue was $48.6 million, of which 90% came from digital infrastructure leasing, compared with $37.2 million in the second quarter of 2025, which was comprised entirely of Bitcoin mining.

The change in mix is most pronounced in the margins. Adjusted gross margin was 93% in the second quarter of 2026, compared with 40% in the same period last year. Mining generated adjusted gross margin of 36% in the second quarter, while our digital infrastructure segment generated adjusted gross margin above 99%.

As we've discussed, that difference is a function of the lease structure. The Nscale lease is triple-net, meaning the tenant is responsible for operating costs, taxes, insurance and maintenance.

One point on revenue timing: the $43.8 million of digital infrastructure revenue in the second quarter was entirely straight-line, non-cash revenue. As Andy mentioned earlier, cash rent under the lease commenced this month, at approximately $3.3 million in August.

From here, we expect roughly $23 million of cash rent in the fourth quarter, approximately $29 million for full-year 2026, $135 million for full-year 2027 and a fully ramped run rate of approximately $183 million by the end of 2028.

We continue to expect the additional 89 megawatts of capacity to energize in the second half of 2027, increasing run-rate revenue to $251 million across the full 323 megawatts. I would note that this is the timing for cash revenue. GAAP recognition is already accruing at a run rate of roughly $175 million annualized.

What changes from here is cash, not the income statement. As that ramp comes through, more of our revenue converts to cash at triple-net margins. Because it is contracted rent rather than mining output, the earnings profile becomes considerably more predictable.

Turning to expenses, G&A was $19.5 million in the second quarter, including $9.0 million of non-cash stock-based compensation expense and approximately $2.9 million of costs associated with the direct listing and private placement, which we do not expect to recur. Excluding those two items, G&A was approximately $7.6 million in the quarter.

We will remain disciplined on overhead while ensuring we have the appropriate capabilities to execute against our contracted revenue base and growth pipeline.

On a GAAP basis, we reported a net loss of $35.3 million in the quarter. Two items account for the majority of the loss: a $28.2 million non-cash loss on the fair value of our Bitcoin and a $27.2 million provision for income taxes. Adjusted EBITDA in the second quarter was $37.6 million.

For the full year, we are reaffirming our 2026 outlook, shown on page 11. We continue to expect total revenue of $190 million to $195 million, with 90% to 92% coming from digital infrastructure leasing; adjusted EBITDA of $137.5 million to $142.5 million; and capital expenditures of $45 million to $60 million, excluding any spending on new site acquisitions.

We ended the quarter with more than $400 million of cash, 2,882 Bitcoin valued at approximately $169 million and a debt-free balance sheet. We believe this liquidity gives us clear visibility to fund the near-term Ward County expansion and the conversion of our Midland sites into HPC and AI data centers.

Lastly, I want to touch on the progress we've seen with share transfers among our legacy shareholders. To date, more than 16 million shares have moved from the transfer agent into individual brokerage accounts. That represents more than 40% of our outstanding shares, excluding shares issued in connection with the private placement. If you also exclude the shares still held by the Celsius estate, nearly 50% of the legacy shares have now moved into brokerage accounts.

As a reminder to legacy shareholders whose shares remain with the transfer agent, you will first need to register your shares with Odyssey Transfer and Trust. You can do that online through the portal available in the legacy shareholder section of the Ionic Digital website.

After registering, shareholders can contact their broker to move their shares from Odyssey into a brokerage account that supports DRS transfers. Once transferred, those shares can be traded. Shares that remain with the transfer agent cannot be sold.

We have a dedicated legacy shareholder section at ionicdigital.com with additional information and step-by-step instructions on the transfer process.

With that, operator, we can open the line for questions.

Question-and-Answer Session

Operator | Conference Operator

Our first question comes from Joseph Vafi with Canaccord Genuity. Please go ahead.

Joseph Vafi | Canaccord Genuity

Good afternoon, and congratulations again on the direct listing. At a high level, could you walk us through your differentiated strategy of focusing on major-metro markets and more medium-sized potential sites, compared with the large mega-sites we've seen recently?

How does that strategy unfold relative to the types of customers you may target, and how might the financing requirements differ for those sites? Thank you.

Andy Stewart | Chief Executive Officer

Joe, thank you for the question. Our major-metro strategy is informed by decades of experience in this space and by a few factors. One is the historical trend within IT and technology between centralization and decentralization. Right now, we're in a wave of centralization, where larger gigawatt-scale campuses are a major focus.

We believe the real opportunity for AI will increasingly center on inference and agentic workloads, which will require processing and compute closer to where data is consumed and created. That means data centers in and around major metros. You're already starting to see that in announcements from OpenAI and Anthropic regarding agentic capabilities.

Second, data centers in these markets are, by and large, highly utilized. You can see that in announcements from Digital Realty, CoreSite and Equinix. Importantly, many of these facilities were built for CPU workloads. Power density per rack is often in the 5-kW to 10-kW range, compared with 150 kW to as much as 500 kW for new NVIDIA chips.

There are also physical constraints such as floor loading. Many of those data centers use three-foot raised floors and do not have the capacity to support a new rack. We believe there is a clear need for new digital infrastructure closer to where people and enterprises are located.

We have significant aspirations, but we're still a relatively small company. When we see the macro trends aligning with our experience, we have to choose an area where we believe we can be successful. The major-metro strategy is less competitive, aligns with work we've done before as individuals and is now something we'll pursue as a team.

Operator | Conference Operator

Our next question comes from Jonathan Petersen with Jefferies. Please go ahead.

Jonathan Petersen | Jefferies

Thank you, and congratulations on the direct listing. On the 466-megawatt expansion and the ERCOT pause that everyone is dealing with, could the capacity be approved in multiple phases rather than all 466 megawatts at once, or do you expect an all-or-nothing outcome?

Andy Stewart | Chief Executive Officer

We really don't know. I think ERCOT is trying to be as objective as possible and reduce subjectivity. We expect it will focus on narrowing the list of applicants. Governor Abbott's directive gives ERCOT support to be more aggressive in that process, and we believe we are well-positioned.

As it relates to allocating the load differently, there is no clear basis for ERCOT to do that, and we don't have a good view as to why that might happen.

Jonathan Petersen | Jefferies

You said the power could be energized by the end of 2027. Assuming Microsoft exercises its option, when should we expect the data center to be completed and revenue to begin flowing?

Andy Stewart | Chief Executive Officer

We're starting the pre-development work now, including test-fit work. Mark Lambourne, our Chief Development Officer, is bringing together the appropriate vendors and partners.

As you mentioned, we have ordered the long-lead transformers. We remain on a path toward breaking ground in early 2027 and having the first data center completed late next year. If energization occurs at the end of next year, revenue would follow soon after.

Chris Hickman | Chief Financial Officer

Jonathan, I want to remind you that the incremental power is subject to a ROFR with Nscale and an option granted to Microsoft. Once the incremental 466 megawatts are awarded to us, assuming the process continues as we hope, we would take the remaining capacity to the market broadly. It is not dependent on Nscale or Microsoft. With our current capabilities and team, we would expect to market that incremental capacity broadly.

Operator | Conference Operator

Our next question comes from Brandon Nispel with KeyBanc Capital Markets. Please go ahead.

Kyle Richard | KeyBanc Capital Markets

This is Kyle Richard on for Brandon. Congratulations on the direct listing, and thanks for taking the questions. Among the customer groups you're speaking with, where is demand strongest? Is it hyperscalers or neoclouds? Can you provide more color?

Andy Stewart | Chief Executive Officer

Absolutely. Given its size, Ward County is best suited for hyperscalers and neoclouds. Beyond Nscale's 89-megawatt amendment, having 377 megawatts available in this market is attractive to both groups.

Three years ago, we probably would have said this was not a market where hyperscalers were active, but we've now seen Microsoft, Google, AWS and Meta all pursue these types of sites.

Our Midland properties are more neocloud-oriented. We've also had two large technology firms that do not fit neatly into the neocloud or hyperscaler categories express interest. They are interested because the sites offer good, cost-effective power and a way to scale for different use cases, including lab environments and sovereign cloud solutions.

Because the properties have different characteristics, they have somewhat different target profiles for the end user.

Kyle Richard | KeyBanc Capital Markets

In Texas, we've heard peers discuss potential acquisition opportunities resulting from Governor Abbott's recent order. What are you hearing, and do you see that creating opportunities for Ionic?

Andy Stewart | Chief Executive Officer

We'll be opportunistic not only in Texas, but around the country. Because our strategy going forward is focused more on major metros, we would be interested in compelling opportunities near Houston, Austin, San Antonio or Dallas.

Some groups in the market are more speculative in nature, and I think much of Governor Abbott's effort is directed at pushing speculators out. Opportunities could emerge from that process, and if we see something we find especially compelling, we'll be prepared to move quickly.

Operator | Conference Operator

Our next question comes from Ben Summers with U.S. Bancorp. Please go ahead.

Ben Summers | U.S. Bancorp

Good afternoon, and congratulations on the direct listing. Building on the discussion of speculative load and Texas's efforts to remove it from the queue, how important is it that you have ROFRs in place for the expansion capacity in demonstrating that the load is not speculative?

Andy Stewart | Chief Executive Officer

It's helpful, but we believe the biggest factors are that we've been energized for a long time and that our original request goes back to 2021 with the facility extension agreement. Having the ROFR and potential offtake is a factor, but we believe those first two points carry more weight.

Ben Summers | U.S. Bancorp

Can you discuss how you evaluate powered-shell builds versus turnkey leases as you advance the pipeline? What are you hearing from customers, and is there a preferred route?

Andy Stewart | Chief Executive Officer

Both. One of Ionic's strengths is that we have the flexibility to pursue powered-shell and full-turnkey builds. The customers we're targeting for metro and inference sites include hyperscalers, neoclouds and enterprises, and those customers have different requirements.

Hyperscalers, particularly AWS, Microsoft and Google, tend to prefer a powered-shell structure. That generally produces a somewhat lower yield on cost, but it can be very attractive on a risk-adjusted basis.

Most neoclouds, with the possible exception of Nscale, do not have the ability to complete a full data center fit-out, so those projects are more likely to be turnkey. Ultimately, we'll focus on the best risk-adjusted return available for each site.

Operator | Conference Operator

Our next question comes from John Todaro with Needham. Please go ahead.

John Todaro | Needham

Thanks for taking my questions, and congratulations on the direct listing.

Andy Stewart | Chief Executive Officer

Thanks, John.

John Todaro | Needham

Could you discuss your conversations with potential tenants as these moratoriums emerge? Is due diligence continuing as usual, or have discussions slowed? How, if at all, have those conversations shifted?

Andy Stewart | Chief Executive Officer

Like everyone on this call, we've all learned a great deal about ERCOT, Governor Abbott and the process. When I joined last year, it was much more opaque and people did not have the same information. Now, when we sit down with a customer and explain what's happening with ERCOT, they have already done their research.

They understand how the issue has moved through the system, so it's a much easier conversation. For us, it comes down to explaining the full fact pattern, where we stand and why we are confident in our position.

That gives customers the confidence to begin discussions, but there is still a great deal of work to do with any customer on design and the parameters they want. We're starting those conversations now because doing it properly takes time and a process. By and large, customers are more informed and more capable of moving forward after working through this issue for the past few months.

John Todaro | Needham

Staying with the NIMBY issue, metro-area sites could face more pushback, but they are also likely to be smaller than the mega-campuses designed for training. Could you discuss the community perspective and whether the smaller scale makes these sites more attractive from a NIMBY standpoint?

Andy Stewart | Chief Executive Officer

Based on our experience at prior companies, we believe these sites may be somewhat more resistant to NIMBY concerns for several reasons. First, they're smaller and somewhat under the radar, which helps.

Second, we're not looking to take pristine farmland and turn it into an unattractive data center. By and large, we're focused on sites that are already zoned or have an existing manufacturing, industrial or commercial use. Redeveloping those sites tends to generate less resistance and can also provide a boost in property taxes.

The fact that these are not greenfield projects helps. Their lower profile helps, and redeveloping an existing part of town is another benefit of our strategy.

Operator | Conference Operator

Our next question comes from Brian Dobson with Clear Street. Please go ahead.

Unidentified Participant | Clear Street

Congratulations on your first earnings call as a public company. This is John Hatchell [phonetic], speaking on behalf of Brian Dobson at Clear Street. As you consider funding future site acquisitions and development, how should we think about the role of the Bitcoin treasury in your overall capital-allocation framework?

Chris Hickman | Chief Financial Officer

Thanks for the question and for joining the call. We see and treat our Bitcoin no differently from cash, and we expect to use it for near-term development and site acquisitions.

As development at Ward County and Midland ramps through the back half of this year and into early 2027, we would expect to sell Bitcoin and deploy the proceeds into development. We would also have no objection to selling Bitcoin for site acquisitions. In fact, I'll be excited to make that announcement when we can do so.

Operator | Conference Operator

Our next question comes from Nick Armato with Texas Capital. Please go ahead.

Nick Armato | Texas Capital

Good afternoon, and congratulations on the progress to date.

Chris Hickman | Chief Financial Officer

Thanks, Nick.

Nick Armato | Texas Capital

There has been discussion today around the possibility of a future Fed rate hike. Could you provide some color on how a higher-rate environment could affect your business?

Our understanding is that many of these projects are underwritten to generate a target return regardless of financing costs. Any additional color on how you think about rate sensitivity would be helpful.

Chris Hickman | Chief Financial Officer

We provided a general framework for the yield on cost we're targeting for both turnkey and powered-shell structures. Those are unlevered yields.

We take a long-term view on rates and plan to maintain a balanced capital structure. If we see a sustained higher-rate environment, we would look to ensure that the cash yield, including the impact of leverage, is appropriate for the risk being taken.

As Andy has already mentioned, we're focused on the full risk-adjusted return. That applies to both development risk and financing risk.

Operator | Conference Operator

This concludes today's question-and-answer session. I would now like to turn the program back to Andy Stewart for closing remarks.

Andy Stewart | Chief Executive Officer

Thank you, operator, and thanks to everyone for joining the call today. This was an important quarter for Ionic, and we've achieved several key recent milestones.

We completed our direct listing in July, energized the first data center under the Nscale lease and continued to advance the next phases of growth across a platform with significant contracted revenue and secured power.

We appreciate the continued support of our shareholders, customers and partners, and we look forward to updating you on our progress in the quarters ahead. Thank you.

Operator | Conference Operator

Thank you, ladies and gentlemen, for participating in today's conference. This concludes the program. You may now disconnect. Good day.