

Stock Data

52-Week Low - High	\$7.25 - \$21.00
Shares Out. (mil)	46.81
Mkt. Cap.(mil)	\$389.91
3-Mo. Avg. Vol.	265,319
12-Mo.Price Target	\$21.00
Cash (mil)	\$164.9
Tot. Debt (mil)	\$51.0

Revenue (GBP millions)

Yr Dec	—2021E—	—2022E—	—2023E—
		Curr	Curr
1Q	-	23.6E	-
2Q	-	29.8E	-
3Q	19.3A	34.4E	-
4Q	25.4E	31.2E	-
YEAR	75.8E	119.0E	184.7E

GBP

EBITDA

Yr Dec	—2021E—	—2022E—	—2023E—
		Curr	Curr
1Q	-	19.2E	-
2Q	-	24.2E	-
3Q	21.0A	28.5E	-
4Q	22.2E	25.2E	-
YEAR	59.2E	97.1E	149.1E

Adjusted, GBP

EPS GBP

Yr Dec	—2021E—	—2022E—	—2023E—
		Curr	Curr
1Q	-	0.25E	-
2Q	-	0.31E	-
3Q	0.32A	0.34E	-
4Q	0.36E	0.19E	-
YEAR	0.85E	1.10E	0.56E

GBP: Converted to ADS (1:10)



ARBK: 34th Annual ROTH Conference Takeaways; Fleet Swap Sets Sail for O&O Model

We hosted ARBK CEO Peter Wall for a series of presentations, panels and 1x1 meetings. Our key takeaways can be found below. We also speak to its fleet swap announcement, which brings ARBK to a fully owned-and-operated model (O&O) model, which should enable greater control and operating margins by switching these machines to its lower cost Helios plant come mid-2022.

Fleet swap agreement aims to revamp ARBK's operations with new machines and a flip from hosted to higher-margin, self-mined operations.

ARBK announced it has entered into a fleet swap agreement with Core Scientific (CORZ-NC) that will see ARBK swap its Bitmain S19s, currently hosted at CORZ's facilities, for newer S19J Pro models previously ordered by CORZ, which will now be delivered to ARBK's Texas (Helios) facility. The fleet swap represents ~60% of ARBK's total mining capacity or ~ 0.97 EH/s based on ARBK's February estimated capacity of ~1.6 EH/s. In addition to the S19J's marginally higher output (967 vs 958 PH/s), the swap to ARBK's self-mining site should enable higher mining margins through the form of lower power (and other operational costs), as well as the removal of hosting fees. Over time, we believe this is a key transition for ARBK given the much more favorable operating capabilities that come from self-mining under most circumstances. It also allows for additional potential modifications such as immersion cooling. Once the swap is completed, ARBK will be void of all hosting facilities and become a complete self-mining entity where power costs are often half that (or less) at current hosting facilities. Likewise, in order to mitigate any potential downtime from the miner swap, the swap is set to occur in stages as the new machines are delivered, set for May-June 2022.

ROTH conference takeaways. As we spoke to recently, we believe the deal with Intel could be a potential differentiator for ARBK, providing the company with initial access to a new mining machine and diversify its mining rigs beyond companies like Bitmain. While little is still known about the productivity of these rigs, they are expected to be cheaper than Bitmain machines, which could result in lower curation costs and potentially a way to mitigate the increasing lag from order to delivery to mining of many machines. Similarly, we expect Argo Labs to play an increasing role for ARBK going forward, with projects that include proof of work efforts, NFTs and other blockchain initiatives that could act like a call option (as well as a point of differentiation), while also diversifying ARBK's exposure away from direct Bitcoin prices and machines. Lastly, we expect to hear more about ARBK's immersion cooling plans/approach, not only in terms of the timeline but also some of its partners on the technology/execution front. However, we believe this is likely to be a fully custom build out for ARBK, and not an "off-the-shelf" system.

VALUATION

Our \$21 price target is based on ~7x EV/22E adj. EBITDA multiple to our ~97.1M (\$131.1M) estimate.

Factors that could impede ARBK from achieving our price target include: changes in block reward, competition, power costs, natural disasters, government regulation, the price of Bitcoin, ability to curate miners, and the capital intensive nature of mining.

RISKS

Bitcoin block rewards: When the Bitcoin reward for mining a block is cut in half (halving), the price of Bitcoin will have to increase to compensate. If Bitcoin prices do not rise commensurate with a halving, it could materially affect ARBK's top-line revenue and profitability.

Competition among other miners and rising hash rates: Competition exists for both self-mining operations and hosting operations. ARBK must continue to add machines (miners) to avoid diluting its share of coins mined relative to the total network.

Electrical power supply: If the electrical power supply is low, it could adversely affect the company's ability to mine. Similarly, if pricing terms for electricity change, it could reduce ARBK's gross profit per Bitcoin or Zcash mined.

Power consumption: Cryptocurrency mining is a very power-intensive business. If miners are not able to shift businesses to renewable resources, it could cause social and economic backlash, which could impact ARBK's business and stock.

Natural disasters: ARBK's business model is dependent on its physical locations which could be subject to natural disasters such as tornados or ice storms that could affect the facility or its electrical power supply.

Price of Bitcoin: Since the price of bitcoin directly affects ARBK's reported revenue, a sharp decline in the price of Bitcoin and/or a reduction in the adoption rate of Bitcoin could affect ARBK's overall profitability.

Regulatory risks: If the US begins to implement regulations around Bitcoin and Bitcoin mining, as countries such as China and India have, it could impact ARBK's ability to host, mine, and/or hold Bitcoin in the US.

Supply of miners: ARBK's strategy of acquiring a larger portion of the network hash rate could be materially affected if the company cannot acquire additional miners or receive favorable pricing on these machines moving forward.

Capital intensive industry: Bitcoin mining is capital intensive, involving the build-out of physical infrastructure, software development, and acquiring mining machines. If ARBK is not fully capitalized or if it cannot maintain adequate access to capital, its ability to grow could be materially affected.

COMPANY DESCRIPTION

Argo (ARBK) is a publicly-traded blockchain infrastructure and Bitcoin mining company that was founded in 2017. Argo utilizes ASIC (application-specific integrated circuit) machines, also known as "miners", to verify transactions on the Bitcoin blockchain network through a process known as Bitcoin mining. Argo also mines Zcash which is a privacy-focused cryptocurrency blockchain network which functions similar to Bitcoin. The company currently operates 6 facilities in North America – 3 in Canada and 3 in the US with a 7th facility currently under construction in Texas. Argo operates entirely in North America and is headquartered in the United Kingdom. The company is also listed on LSE in the UK under the ticker: ARB.

Argo Blockchain (ARBK)

Fiscal year end - December

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(GBP in thousands except per share data)

GBP in thousands (except per share data)	2018A	2019A	2020A	1H21A	3Q21A	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
Income Statement													
FX Rate	1.3806	1.3806	1.3806	1.3806	1.3470	1.3505	1.3505	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500
Assumed 3M. Avg. BTC Price				\$45,871	\$43,516	\$55,610	\$48,332	\$53,000	\$53,000	\$53,000	\$53,000	\$53,000	\$63,000
Total BTC and Equivalents Mined		1,330	2,466	883	597	566	2,046	572	728	844	762	2,907	3,840
Total Revenue - GBP	£764.6	£8,616.9	£18,957.4	£31,085.7	£19,287.0	£25,415.8	£75,788.5	£23,584.2	£29,779.7	£34,393.2	£31,240.4	£118,997.5	£184,738.9
Total Revenue - USD	\$1,055.6	\$11,896.5	\$26,172.6	\$42,916.9	\$25,979.0	\$34,324.0	\$103,220.0	\$31,838.7	\$40,202.6	\$46,430.8	\$42,174.5	\$160,646.6	\$249,397.5
Direct Costs		3,476.2	11,210.9	5,606.9	2,790.0	3,472.5	11,869.4	3,471.2	4,666.0	4,904.9	5,064.2	18,106.3	30,139.7
Depreciation of Mining Equipment		2,083.6	5,895.6	4,758.0	2,412.0	3,623.0	10,792.9	5,072.1	7,101.0	9,941.4	13,917.9	36,032.5	111,943.4
Change in Fair Value of Digital Currencies (Gain)/Loss		201.7	(2,342.5)	6,407.4	(8,705.0)	(1,804.3)	(4,101.9)	0.0	0.0	0.0	0.0	0.0	0.0
Realized Gain/(Loss) on Sale of Digital Currencies		132.1	272.1	(219.0)	(380.0)	749.1	150.1	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit - GBP	-£411.4	£2,723.2	£3,921.4	£14,532.4	£23,170.0	£19,375.6	£57,078.0	£15,040.9	£18,012.7	£19,546.9	£12,258.2	£64,858.7	£42,655.8
BTC and BTC Equiv. Mining Profit - Adj. - GBP		£5,123.3	£7,746.5	£25,478.9	£15,970.0	£19,853.5	£60,153.9	£18,979.7	£23,923.7	£28,238.8	£24,864.2	£96,006.4	£149,083.6
Depreciation of mining and computer equipment		2,066.2	5,895.6	4,758.0	2,412.0	3,623.0	10,792.9	5,072.1	7,101.0	9,941.4	13,917.9	36,032.5	111,943.4
Change in fair value of digital currencies		201.7	(2,342.5)	6,407.4	(8,705.0)	(1,804.3)	(4,101.9)	0.0	0.0	0.0	0.0	0.0	0.0
Realized gain/(loss) on sale of digital currencies		132.1	272.1	(219.0)	(380.0)	749.1	150.1	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit - USD		\$3,759.7	\$5,413.8	\$20,063.5	\$31,210.0	\$26,166.7	\$77,440.2	\$20,305.2	\$24,317.2	\$26,388.3	\$16,548.6	\$87,559.3	\$57,585.3
BTC and BTC Equiv. Mining Profit - Adj. - USD		\$7,073.3	\$10,694.9	\$35,176.1	\$21,512.0	\$26,612.1	\$83,500.2	\$25,622.5	\$32,297.0	\$38,122.4	\$33,566.7	\$129,608.6	\$201,262.9
Operating Expenses:													
Consulting Fees		1,186.5	690.4	304.4	628.0	103.5	1,009.9	91.6	86.8	83.8	77.0	339.2	390.3
Professional Fees		607.2	249.4	415.1	220.0	170.9	813.9	158.9	166.6	178.0	165.5	669.1	972.7
General Administrative (ex. SBC)		1,763.4	1,830.2	1,136.8	412.0	508.3	2,057.1	660.4	684.9	687.9	749.8	2,782.9	4,189.7
Share based payment charge		0.0	0.0	1,567.6	1,287.0	1,000.0	3,854.6	1,100.0	1,100.0	1,100.0	1,100.0	4,400.0	5,000.0
Foreign exchange					1,458.0		1,458.0					0.0	0.0
Gain From Reversal of Credit Loss		0.0	(447.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses	3,731.9	3,557.0	2,322.8	3,423.8	3,987.0	1,782.7	9,193.5	2,010.9	2,038.4	2,049.7	2,092.2	8,191.2	10,552.7
Adj. EBITDA - GBP		£1,387.4	£7,625.3	£15,579.8	£20,970.0	£22,217.9	£59,167.7	£19,206.1	£24,181.4	£28,546.6	£25,193.9	£97,128.0	£149,106.5
Adj. EBITDA - USD		\$1,915.4	\$10,527.5	\$22,061.7	\$28,247.0	\$30,005.2	\$80,314.0	\$25,928.3	\$32,644.9	\$38,537.9	\$34,011.8	\$131,122.8	\$201,293.8
Operating Income/(Loss)	(4,143.3)	(833.8)	1,598.5	11,108.6	19,183.0	17,592.9	47,884.5	13,030.0	15,974.4	17,497.2	10,166.0	56,667.6	32,103.1
Loss on sale of investment					(750.0)		(750.0)					0.0	0.0
Interest Income	36.0	5.6	1.4	0.0	0.0	67.2	67.2	19.3	(49.6)	(112.5)	(162.1)	(304.9)	(1,348.0)
Interest Expense	(9.9)	(40.9)	(157.5)	(410.8)	(203.0)	(702.3)	(1,316.1)	(899.2)	(899.2)	(899.2)	(899.2)	(3,596.7)	(3,596.7)
Total Other Income/(Loss)	26.0	(35.2)	(156.1)	(410.8)	(953.0)	(635.1)	(1,998.9)	(879.8)	(948.8)	(1,011.7)	(1,061.3)	(3,901.6)	(4,944.7)
Income Before Taxes	(4,117.3)	(869.1)	1,442.4	10,697.8	18,230.0	16,957.9	45,885.7	12,150.2	15,025.6	16,485.5	9,104.7	52,766.0	27,158.4
Income Tax Expense	0.0	0.0	0.0	(3,483.8)	(5,354.0)	0.0	(8,837.8)	0.0	0.0	0.0	0.0	0.0	0.0
Net Income/(Loss)	-£4,117.3	-£869.1	£1,442.4	£7,214.0	£12,876.0	£16,957.9	£37,047.9	£12,150.2	£15,025.6	£16,485.5	£9,104.7	£52,766.0	£27,158.4
Foreign exchange gain/(loss)		178.2	264.6	(361.0)	(102.0)	0.0	(463.0)	0.0	0.0	0.0	0.0	0.0	0.0
Total Comprehensive income/(loss)	-£4,117.3	-£869.0	£1,707.0	£6,853.0	£12,774.0	£16,957.9	£36,584.8	£12,150.2	£15,025.6	£16,485.5	£9,104.7	£52,766.0	£27,158.4
Earnings per Share - diluted - GBP	-£0.00	-£0.01	£0.02	£0.02	£0.03	£0.04	£0.09	£0.03	£0.03	£0.03	£0.02	£0.11	£0.06
Earnings per Share - diluted - USD	\$(0.00)	\$(0.01)	\$0.02	\$0.02	\$0.04	\$0.05	\$0.12	\$0.03	\$0.04	\$0.05	\$0.03	\$0.15	\$0.08
Earnings per ADS - diluted - GBP	-£0.02	-£0.05	£0.17	£0.32	£0.35	£0.85	£0.25	£0.31	£0.34	£0.34	£0.19	£1.10	£0.56
Earnings per ADS - diluted - USD	\$(0.03)	\$(0.07)	\$0.24	\$0.43	\$0.48	\$1.15	\$0.34	\$0.42	\$0.46	\$0.46	\$0.25	\$1.48	\$0.76
Weighted avg. shares - diluted	293,750	334,638	393,091	396,798	478,341	422,743	479,341	479,341	480,341	481,341	482,341	480,841	484,841
ADS - diluted (10:1 conversion)	29,375	33,464	39,309	39,680	47,834	42,274	47,934	47,934	48,034	48,134	48,234	48,084	48,484
Avg. direct cost per BTC / BTC and BTC equiv. mined - GBP		£2,613.7	£4,547.1	£6,349.8	£4,673.4	£6,130.0	£5,717.7	£6,070.0	£6,407.3	£5,810.0	£6,643.1	£6,232.6	£7,825.7
Avg. direct cost per BTC / BTC and BTC equiv. mined - USD		\$3,608.4	\$6,277.8	\$8,766.5	\$6,294.9	\$8,278.6	\$7,780.0	\$8,194.5	\$8,649.8	\$7,843.4	\$8,968.2	\$8,414.0	\$10,564.7
Total BTC and BTC equiv. held for sale on balance sheet		193	216	1,268	1,836	2,595	2,595	3,167	3,895	4,739	5,502	5,502	9,342
Margin analysis:													
Direct costs	0.0%	40.3%	59.1%	18.0%	14.5%	13.7%	15.7%	14.7%	15.7%	14.3%	16.2%	15.2%	16.3%
Gross margin	(53.8%)	31.6%	20.7%	46.7%	120.1%	76.2%	75.3%	63.8%	60.5%	56.8%	39.2%	54.5%	23.1%
Mining margin	0.0%	59.5%	40.9%	82.0%	85.1%	85.1%	83.5%	84.5%	83.7%	85.2%	83.1%	84.1%	83.2%
Consulting Fees	0.0%	13.8%	3.6%	1.0%	3.1%	0.4%	1.3%	0.4%	0.3%	0.2%	0.2%	0.3%	0.2%
Professional Fees	0.0%	7.0%	1.3%	1.3%	1.2%	0.7%	1.1%	0.7%	0.6%	0.5%	0.5%	0.6%	0.5%
General Administrative	0.0%	20.5%	9.7%	3.7%	2.1%	2.0%	2.7%	2.8%	2.3%	2.0%	2.4%	2.3%	2.3%
Share based payment charge	0.0%	0.0%	0.0%	5.0%	6.7%	3.9%	5.1%	4.7%	3.7%	3.2%	3.5%	3.7%	2.7%
Total operating expenses	0.0%	0.0%	(2.4%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adj. EBITDA	0.0%	16.1%	40.2%	51.4%	108.7%	87.4%	78.1%	81.4%	81.2%	83.0%	80.6%	81.6%	80.7%
Operating Income/(Loss)	(541.9%)	(9.7%)	8.4%	35.7%	99.5%	69.2%	63.2%	55.2%	53.6%	50.9%	32.5%	47.6%	17.4%
Tax rate	0.0%	0.0%	0.0%	(32.6%)	(29.4%)	0.0%	(19.3%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income/(loss)	(538.5%)	(10.1%)	7.6%	23.2%	66.8%	66.7%	48.9%	51.5%	50.5%	47.9%	29.1%	44.3%	14.7%
Y/Y Growth:													
Total BTC and Equivalents Mined			85.4%	(47.1%)	30.3%	67.6%	(17.0%)			41.4%	34.6%	42.0%	32.1%
Total Cryptocurrency Mining Revenue		1,027.0%	127.0%				280.1%			76.7%	28.3%	58.4%	57.1%
Total Revenue			120.0%	179.4%	402.3%	489.7%	299.8%			78.3%	22.9%	57.0%	55.2%
Direct Costs			222.5%	(17.4%)			5.9%			75.8%	45.8%	52.5%	66.5%
Gross profit		(761.9%)	44.0%	1,128.9%			1,355.6%			(15.6%)	(36.7%)	13.6%	(34.2%)
Mining profit			51.2%	487.5%			676.5%			76.8%	25.2%	59.6%	55.3%
Total operating expenses		(4.7%)	(34.7%)	542.9%			295.8%			(48.6%)	17.4%	(10.9%)	28.8%
Adj. EBITDA			449.6%	336.3%			675.9%			36.1%	13.4%	64.2%	53.5%
Operating Income/(Loss)		(79.9%)	(291.7%)	1,609.1%			2,895.5%			(8.8%)	(42.2%)	18.3%	(43.3%)
Tax rate		0.0%	0.0%	(32.6%)	(29.4%)	0.0%	(19.3%)			0.0%	0.0%	0.0%	0.0%
Net income/(loss)		(78.9%)	(266.0%)				2,468.5%			28.0%	(46.3%)	42.4%	(48.5%)

Source: SEC Filings, ROTH Capital Partners Estimates

FY19, FY20, 1H20 & 1H21 converted at USD/GDP of 1.3806

(1) Includes ~\$128M offering

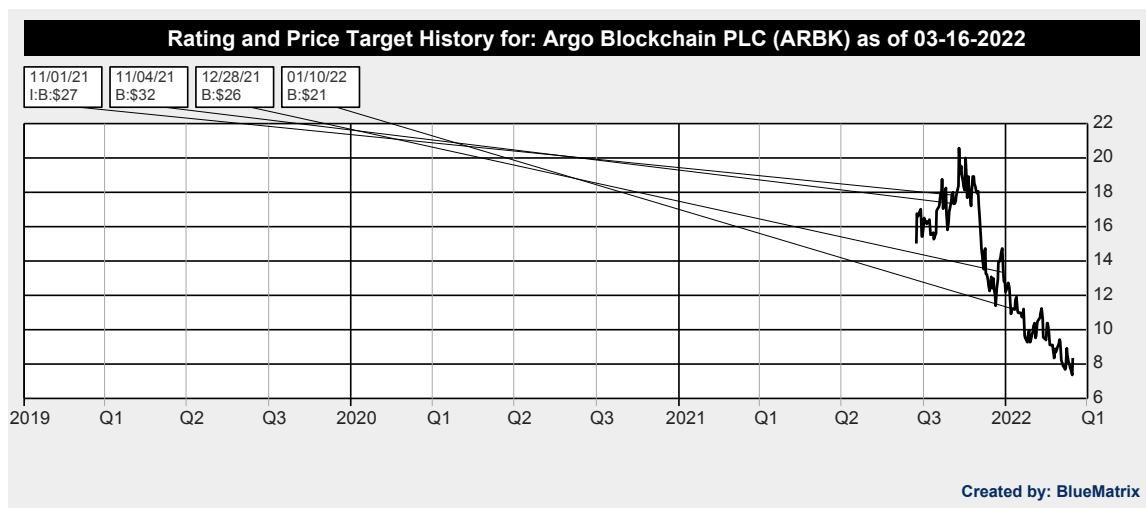
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Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 03/17/22	
			Count	Percent
Buy [B]	348	82.86	234	67.24
Neutral [N]	45	10.71	24	53.33
Sell [S]	0	0.00	0	0
Under Review [UR]	27	6.43	17	62.96

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

Ratings System Definitions - ROTH employs a rating system based on the following:

Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

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