



Get Rich From Bitcoin With This Canadian Stock

Description

The price of Bitcoin has quietly been on fire of late. You can be forgiven for missing out because the cryptocurrency has attracted much less fanfare this time around.

After bottoming in the US\$3,000 range for one Bitcoin, the world's largest cryptocurrency has risen to more than US\$11,500 per coin. That's off a bit from recent highs in the US\$13,000 range, but you can't deny the trend.

It's easy to see why some investors are [excited about Bitcoin](#) specifically and cryptocurrency generally. The benefits to having an anonymous way to transfer money are obvious, especially in today's inter-connected world. But at the same time, these folks don't want to go out and physically buy any Bitcoin.

There's a solution to this. These investors can buy one of the Bitcoin-related stocks that have popped up on the Toronto Stock Exchange. Let's take a look at one of those companies, **Hut 8 Mining** (TSXV:HUT).

The skinny

Hut 8 Mining has two Bitcoin mining facilities in Alberta, with a larger one located in Medicine Hat and a smaller version located in Drumheller. The Medicine Hat assets consist of 56 BlockBox data centres operating at a maximum capacity of 62 megawatts. The Drumheller facility has 29 BlockBox data centres operating at a maximum capacity of 32.5 megawatts.

The two sites in Alberta were chosen because of low electricity costs. Mining Bitcoin uses a lot of power, so keeping input costs down is a good thing.

The company uses Bitfury designed data centres for mining, which it claims are the best and most advanced units out there. As part of a partnership, Bitfury owns 47% of Hut 8 shares.

In 2018, these data centres mined 5,592 Bitcoins at an average cost of US\$3,433 per Bitcoin. Costs rose to US\$3,951 to mine a Bitcoin in its most recent quarter, an increase management attributes to

colder weather in Alberta.

The good news is the company began to hoard Bitcoin on its balance sheet when the price was low — a move that is paying off today. At the end of the first quarter, it retained 2,615 Bitcoins. Based on the price of the cryptocurrency today, the value of those digital assets alone is a little more than US\$30 million.

The economics of mining Bitcoin have also stayed about the same versus the latter part of 2018, while the value of the cryptocurrency has skyrocketed. This bodes well for the future.

The opportunity

An opportunity exists today with Hut 8 shares, because while the price of [Bitcoin has soared higher](#), shares haven't. Eventually, this gap should narrow.

Since the beginning of 2019, Hut 8 shares are up an impressive 97%. But the price of Bitcoin is up 211%. While I understand that Hut 8 has a few warts and might warrant a bit of a discount, the gap between the two is simply too wide.

In fact, it's easy to argue Hut 8 shares are poised to go much higher if Bitcoin continues its upward march. Hut 8's mining costs should stay the same while the underlying product it produces is worth more. This translates into much higher profits.

Then there's the sentiment factor. As Bitcoin keeps marching higher, it gets more and more attention. Folks will want to invest, which will drive up the price of all Bitcoin-related investments. Hut 8 would surely benefit from this.

The bottom line

If you're a Bitcoin bull, there are two ways you can play this trend. Buying individual Bitcoins is the pure play, but it's a complex process some investors might not want to experience. The easy way is to buy Hut 8 shares.

If Bitcoin keeps marching higher, Hut 8 shares won't be far behind. You'll be kicking yourself for missing out on this buying opportunity.

CATEGORY

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2. Tech Stocks

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