



HIVE Blockchain (TSXV:HIVE): Book Profits Before It's too Late!

Description

If you had invested \$10,000 in **Hive Blockchain Technologies** (TSX:HIVE) this time last year, you'd have \$300,000 right now. Hive stock has been propelled to the stratosphere by Bitcoin's latest surge. However, investors need to take a step back and analyze the path ahead.

If you're an early investor in HIVE stock or looking to add exposure to this multibagger, here's what you need to know.

Bitcoin price forecasts

Bitcoin is currently trading at an all-time high of US\$40,000 or C\$50,000. The price has been driven by institutional buying this time around. Heavyweight Wall Street banks, tech giants and hedge fund managers have added exposure to the cryptocurrency throughout 2020.

The thesis is that Bitcoin is the digital equivalent of gold. The value of all the BTC in the world is about US\$832 billion right now, while the total value of all the gold in the world is US\$10 trillion. In other words, BTC needs to take just 10% market share from gold to reach [US\\$100,000](#).

That's certainly possible this year as momentum builds. That momentum is what's driving the value of HIVE Blockchain. However, Hive stock has shot up far more than Bitcoin itself, which suggests a disconnection between fundamentals and market price.

Hive stock valuation

Hive stock is up 2,845% from January 2020. Meanwhile, Bitcoin is up just 330% over the same period. Even Ethereum, Bitcoin's less popular cousin, is up only 582% over that period.

Investors have been ploughing capital into Hive stock because it's a convenient proxy for the cryptocurrency industry. The company mines and holds crypto in reserve. However, the company reported that its reserves were worth just US\$3.5 million (C\$4.4 million) as of September 2020. The majority of those reserves are split between Ethereum and Bitcoin.

However, Hive stock's market capitalization is \$1.12 *billion* right now. In other words, it's trading at 254 times crypto reserves. Ethereum or Bitcoin will have to surge 254x to justify this valuation. That's impossible, even in this industry.

Alternatively, Hive will have to mine more crypto to justify its valuation. However, the company is adding to reserves at a paltry pace. Adjusted earnings before income, tax, depreciation and amortization (EBITDA) was just US\$7.8 million or C\$9.9 million over the past financial year.

Hive stock is trading at a price-to-EBITDA ratio of 112.

Bottom line

I'm bullish on Bitcoin and Ethereum. In fact, I've held both digital currencies in my personal portfolio since 2018. I believe their value could multiply tremendously over the next year or so.

However, mining stocks like HIVE blockchain have overshot even the most optimistic BTC forecast. They're trading at a significant premium to crypto reserves. Investors should probably focus on the underlying digital assets, rather than these convenient mining stocks for the moment.

If you were an early investor and have enjoyed stunning gains, consider booking profits.

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vraisinghani

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