



## Bitcoin: Should You Buy the Coin or the Miners?

### Description

Bitcoin has been one of the best-performing assets of the past year. The industry has become more noticeably mainstream, which means it's now easier than ever to add exposure to this market.

**HIVE Blockchain Technologies** ([TSXV:HIVE](#)) has been an excellent stock for anyone looking to gain exposure in the burgeoning cryptocurrency sector. The stock was unstoppable in 2020, rallying by more than 2,000%, as Bitcoin edged higher. After an impressive start to 2021 that saw the stock rally 180%, the upward momentum has cooled off, and the stock has pulled back.

However, the price of Bitcoin remains elevated. That means every new token HIVE generates through its vast server farms creates exponentially higher value for shareholders. However, shareholders might want to consider if it makes more sense to simply buy the underlying token rather than HIVE stock. Here's a closer look.

### HIVE's financials

Despite the 40% pullback in its share price, Hive Blockchain is well positioned to generate significant revenues and value on Bitcoin prices edging higher.

Crypto miners such as Hive Blockchain are leveraged to the price of the underlying crypto. A spike in Bitcoin and Ethereum prices always translates to a spike in Hive Blockchain's revenues and, conversely, increased earnings and shareholder value.

Hive Blockchain reported a 174% increase in digital currency mining income that totaled \$13.7 million in the recent quarter. A year ago, cash flow more than doubled to \$13.7 million from \$5.7 million a year ago, as the gross mining margin increased to \$10.6 million from \$3.8 million a year ago. Adjusted EBITDA came in at \$13.7 million compared to \$5.7 million a year ago, as net income tripled to \$17.2 million.

## Hive Blockchain's valuation

Hive Blockchain is not that cheap, as it is trading with a price-to-sales multiple of 38.14 and price-to-book multiple of 28.84. That's a clearly rich valuation. Last year, this premium was justified by the fact that investors had few ways to gain exposure to the crypto sector. However, that's no longer the case.

There are several Bitcoin exchange-traded funds (ETFs) on the Toronto Stock Exchange now. Other alternatives, like [payments provider Banxa](#), have also been listed recently.

Miners like HIVE face three threats in 2021. For one, the business is getting increasingly competitive. The rapid escalation in BTC's market value has attracted capital from all over the world. Miners in Asia, Europe, and North America are all gunning for the top spot, which has made mining more competitive and less profitable.

Meanwhile, there is growing criticism of Bitcoin mining's environmental toll. Miners like HIVE must make investments in keeping their operations as green as possible to avoid a backlash. That could dent margins further.

Finally, Bitcoin's bull run could be drawing to a close. If the price dips, as it has in the past after such a rapid run, overvalued miners like HIVE would be the prime victims.

## Bottom line

HIVE Blockchain was an excellent way to get exposure to Bitcoin last year. Now, it's no longer needed, and there are far better investment options. This could be a good time to lock in some profits.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. TSXV:HIVE (Hive Blockchain Technologies)

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1. Business Insider
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