



## Hut 8 Stock: Is This Crypto Miner Undervalued?

### Description

**Hut 8 Mining Corp** ([TSX:HUT](#))([NASDAQ:HUT](#)) is one of the largest crypto mining companies based in Toronto and is engaged in industrial-scale Bitcoin mining operations in North America. The company uses green energy for mining purposes and is the first Canadian digital miner to list its common shares on the **Nasdaq**. As the stock is directly related to the price of the cryptocurrency it mines, Hut 8 has surged about 220% so far this year and by a massive 1,110% over the past 12 months.

### Hut 8 Mining and crypto fever

There are numerous digital currencies available in the crypto market, of which the most eminent ones are Bitcoin and Ethereum. As Hut 8 mines both currencies, the stock has gained significant momentum on the back of the bull run experienced in the crypto market since March 2020.

Moreover, as the industry is still in its infancy and is continuously evolving there is still quite a lot of growth potential. Hut 8 has been continuously working on improving its productivity levels, and the company can still maintain its operational profitability even if crypto prices remain subdued in the coming times.

### Low-cost opportunity for Hut 8 Mining

Hut 8 has its mining operations based around the Alberta region — an area quite well suited for crypto mining due to its cool temperature and cold winds. Alberta is also an energy-producing hub and has an energy-friendly policy. So, having its operations based in the Alberta region gives Hut continuous access to cheap power facilities.

Moreover, the company is also benefitting from China's retreat from the crypto market. Hut 8 Mining has stated that China's ban on bitcoin mining has reduced the company's competition level to a great extent, enabling it to almost double its market share. Also, having access to a larger market has led to the probable reduction in future expansion costs, which the company can thereafter channelize toward improving its productivity levels.

However, the global network hash rate has reduced as a result of China's ban and is expected to remain depressed next year as well. Hut 8 Mining already has access to 109 MW of installed power in Alberta and a third mining site will be operational by the end of this year. We can see Hut Mining is well-positioned to take advantage of the continued favourable Bitcoin mining economics.

## Strong quarterly results

Due to the ongoing bull run in the crypto market, Hut 8 is forecast to increase sales from \$40.7 million in 2020 to \$172 million in 2021 and \$316 million in 2022. This will allow the company to improve its adjusted earnings per share from \$0.06 in 2020 to \$0.75 in 2022. In the second quarter of 2021, the company reported record revenue that stood at \$33.5 million.

It has also launched several ESG initiatives with the capital it raised previously in the month of June. Moreover, last month it achieved an average production rate of 10.5 bitcoins per day and had mined 326 bitcoins in August. At [the end of August 2021](#), Hut 8 Mining held 4,450 bitcoins on its balance sheet valued at US\$210 million, considering current prices.

The stock is trading at a reasonable multiple and is valued at a price to forward 2022 sales multiple of 5.1 and a price to earnings multiple of just 14.9, making Hut 8 Mining attractive to both growth and [value investors](#).

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