



Sinking Crypto Stock: Is Hut 8 (TSX:HUT) Worth Buying at \$2.30?

Description

Crypto investors made a killing during the glory years of **Bitcoin**. The world's most popular and largest digital currency delivered mammoth returns of 5,507% and 1,331% in 2013 and 2017, respectively. In 2020, the token's overall return of 301% was still unmatched in the investment world.

Unfortunately, things turned for the worst not only for [cryptocurrencies](#) but also crypto stocks when the crypto winter came in December 2021. Fast forward to September 2022 and the carnage from the rising interest rate environment continues. **Hut 8 Mining** ([TSX:HUT](#))([NASDAQ:HUT](#)) was supposed to be a safer alternative to holding Bitcoin but the cryptocurrency mining company has fallen into the abyss.

HUT's current share price of \$2.30 is 88.8% lower than its 52-week high of \$20.61. On a year-to-date basis, the loss is a staggering 76.8%. Is the sinking crypto stock mirroring Bitcoin's performance worth buying today?

Expected market volatility

Hut 8 aims to lead the digital finance revolution by advancing decentralized systems with digital asset mining and high-performance computing. The \$447.1 million company specializes in Bitcoin and **Ethereum** mining. In 2019 and 2020, the crypto stock rewarded investors with returns of 226.2% and 184.5%.

Like Bitcoin, HUT counts as among the risky assets in 2022. The aggressive rate hike campaigns of central banks negatively impact on cryptocurrencies, crypto-related businesses, and [growth-oriented companies](#).

In Q2 2022, mining volume of digital assets jumped 71% to 946 Bitcoin. However, the net loss in the same quarter widened 2,079.9% to \$88 million versus Q2 2021. While revenue increased 30.7% from a year ago, mining profit dropped 22.9% year over year.

Moreover, the average cost of mining each Bitcoin in Q2 2022 was around \$25,900 compared to

approximately \$24,700 per Bitcoin in the same quarter in 2021. The average cost of mining Bitcoin increased due to higher power prices.

Jaime Leverton, Hut 8's CEO, said, "We have been anticipating market volatility for nearly a year and took proactive measures to successfully navigate the current downturn through the balance of the cycle." He adds that with the first full quarter generating uncorrelated fiat revenue in HUT's high performance computing business, the company is well-positioned to drive future success.

Balance sheet first approach

Shane Downey, Hut 8's CFO, said, "Our operational orientation and conservative, balance sheet first approach continued to serve us well in the second quarter. We generated strong revenue in our digital asset mining business, made strides in solidifying and growing our high-performance computing business and remain focused on the continued health of the company overall."

Leverton is optimistic about Hut 8's position for continued success. He cites the strong results across the company's mining and high-performance infrastructure businesses last month. He said, "We continue to receive and install our monthly shipments of new MicroBT miners on time, while actively adding to the suite of services we offer our data centre customers."

For high-risk investors

Hut 8 boasts the highest capacity rates and has one of the highest inventories of self-mined Bitcoin. However, these advantages may not translate into a recovery anytime soon. Even if the price is absurdly cheap, the stock is for investors with high-risk appetites.

CATEGORY

1. Cryptocurrency
2. Investing
3. Tech Stocks

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