



Hut 8 Fell 50% in November: Is it a Buy Today?

Description

Hut 8 Mining ([TSX:HUT](#)) isn't the traditional Canadian mining company many investors are used to. Rather, this firm is primarily involved in mining digital currencies and the gaming sector. As a **Bitcoin** mining company, this is a stock that's seen some obvious headwinds of late.

Thus, it's not surprising to see HUT stock down 50% in the month of November alone. The crypto sector is one with its fair share of headwinds (to say the least). Whether we're talking about plunging valuations across the board, bankruptcies of key crypto exchanges, and regulatory risks, there's plenty to be concerned about in this sector.

For HUT stock, there are some key factors investors should consider. Let's dive into whether this [growth stock](#) is a buy today or a hard sell.

Fundamental underperformance is worrisome

Even though the past few years have been difficult, the crypto market has seen some commendable highs and lows due to the pandemic and its aftermath. However, these fluctuations in the crypto market are more constant than anything out there. And with volatility comes risk, meaning many investors are steering clear of this asset class for now.

That said, Hut 8's recent results haven't been that bad, all things considered. While the company saw its revenue decrease significantly, down \$18.6 million to only \$31.7 million this past quarter, the company did increase its Bitcoin mined to 983 this past quarter — an increase of 8.5% year over year.

The problem is that Bitcoin's price has dropped dramatically, leading to this revenue decline. Accordingly, like other mining operations with debt denominated in dollars and revenue denominated in Bitcoin, a further decline in the price of this digital asset could hurt the company's longer-term prospects.

Hut 8 initiates mediation proceedings to settle dispute with Validus

According to recent reports, a dispute between Hut 8 and its energy supplier Validus has raised eyebrows. Thus, in many respects, this ongoing dispute may be as much to blame for the company's poor performance as Bitcoin's deteriorating price.

This dispute results from allegations that there have been certain breaches on the terms of obligations in the power-purchase agreement between the third-party supplier and the company.

Validus has thus suspended the power supply to Hut 8's operations in North Bay. It has subsequently delivered a notice about an event of default. This notice asserts that Hut 8 has failed to make payments related to the power supply in the North Bay site, which Hut 8 has promptly denied.

However, Hut 8 has suggested mediation proceedings to settle the dispute with Validus and has notified the latter about the same. Additionally, this company is also looking for alternatives to mitigate any damage due to this dispute through both organic and inorganic growth prospects.

Bottom line

Given the deterioration in fundamentals in the crypto space, alongside power-related issues for the company's key operations, Hut 8 stock is one I think is worth avoiding right now. This is a company with simply too many risks. Sure, there's the potential for a rally from here. However, it's more likely that selling pressure will continue for this Bitcoin miner.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

1. TSX:HUT (Hut 8 Mining)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. chrismacdonald
2. kduncombe

Category

1. Cryptocurrency
2. Investing

Date

2025/06/28

Date Created

2022/12/07

Author

chrismacdonald

default watermark

default watermark