Bitcoin Mining Wars Are Heating Up – How to Play it?

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Analysis

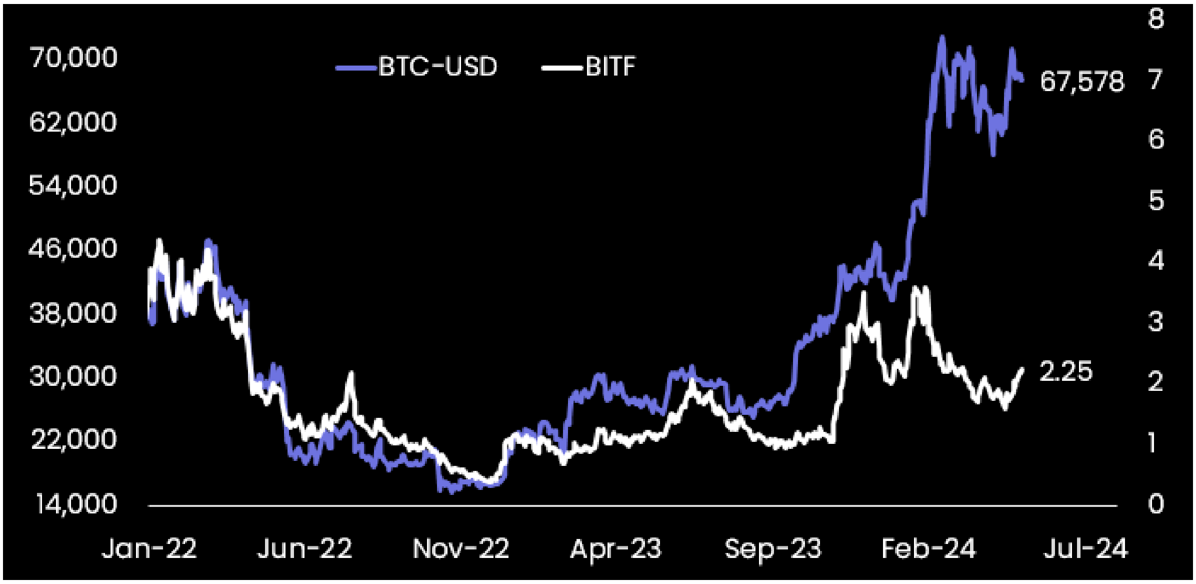
Riot Platforms has quietly bought a 9.25% stake in Bitcoin mining rival Bitfarms and offered to acquire the rest of the Bitfarms shares for a modest premium (12% based on the April 22 offer). The Bitfarms Board was correct in rejecting the proposal, as industry leaders are under pressure to take out smaller rivals and are likely forced to pay much higher valuations.

Crucially, Bitfarms has received acquisition offers from other competitors. This indicates that the sector is heating up for more mergers and acquisitions (M&A), whether friendly or hostile.

During an interview in December 2023, Marathon CEO Fred Thiel hinted that the company plans to acquire rivals and related infrastructure as it no longer wants to outsource its hosting exposure.

Year-to-date, the shares of Bitcoin miners have declined by -20% while Bitcoin rallied by +60%. The Bitcoin halving cut mining rewards in half, and in anticipation of this revenue cliff, miners have increased the Bitcoin inventory they are now selling. Bitcoin prices are trading at similar levels as around the halving on April 20; despite lower margins that might have been priced in with the underperformance in share prices. Some miners could now benefit from the M&A activity. Bitfarms is an obvious candidate.

Exhibit 1: Bitcoin (LHS) vs. Bitfarms share price (RHS)



Source: 10x Research

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Instead of seeing a sharp decline, the hash rate has remained stable at 625E for the last three months. This indicates that most miners continue to run their machines and that the industry might be doing better than initially expected.

Marathon ($5.5bn market cap) has a post-halving BTC mining cost of $49,000. However, Marathon still has attractive margins with a Bitcoin price of $68,500, as long as its realized hash rate remains high—which has not always been the case. Instead of 80% as in previous quarters, their realized hash rate was only 60% in Q1, likely due to unplanned outages.

Marathon's net cash position of $751m will likely allow the company to acquire a smaller competitor with stock and cash. Some smaller competitors potentially have a higher realized hash rate due to better hosting sites and overseas operations that mine Bitcoin cheaper.

Cleansparks ($3.7bn market cap) has a net cash position of $720m and runs a very efficient operation. Its realized hash rate is consistently near 95%. At this point, they might not be too keen to acquire competitors due their high efficiency, leaving Marathon and Riot as the main power players in the M&A market.

Exhibit 2: Overview, the largest Bitcoin miners

Ticker	Free-Float	Sales 2025	P/E ratio 2025	Net cash 2025 *	Mkt Cap
BTDR	30.5%	570	323	-	690
HUT	38.9%	190	-17.8	-	814
CIFR	58.3%	298	16.8	-	1160
WULF	68.3%	244	10.3	-	765
IREN	91.2%	491	9.25	68	1080
RIOT	92.9%	870	41.4	2100	2900
BITF	96.0%	478	4.59	177	893
MARA	96.2%	981	55.8	751	5470
CLSK	97.5%	711	126	720	3730
HIVE	98.4%	132	-3.13	-	205
			Net cash	**3816**	

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Riot ($2.9bn market cap) has a whopping $1.5bn net cash on its balance sheet, providing ample firepower to acquire competitors. Riot's mining costs are $43,000 with a realized hash rate of only 75%, while Bitfarms ($893m market cap with net cash of $177m) runs at $34,000. Bitfarms consistently has a realized hash rate of 90-92% (except in March and April, when it dropped to 88%).

Hence, the strategy is to buy smaller miners with lower Bitcoin mining costs but with a high realized hash rate. A key is to find acquisition targets with a high free float, giving the board, instead of the founder, the power to propose an offer to the shareholders.

Bitdeer (BTDR, market cap $690m) is inexpensive but lacks sufficient liquidity despite its Nasdaq listing. The total float is only 30%, as the founders and pre-IPO holders hold a significant ownership stake. The non-publicly listed shares vs. publicity-listed shares have a 10/1 voting ratio; hence, no corporate takeover would go through unless the founders want to sell—which seems very unlikely.

Bitfarms's free float is 96%, a potential PE ratio of 4.6x, and a market capitalization of $893m; Bitfarms should indeed be the top pick by the larger miners. As Riot appears to have $2.1bn net cash available in 2025, the company will likely have to increase their bid for Bitfarms – which is the top acquisition target based on our analysis as the free float is high (96%), sales are meaningful ($478m), and the PE ratio is positive (4.6x).

The share price of Bitfarms (see exhibit 1) has lagged the price of Bitcoin. A large value gap opportunity might have opened up that could close with Bitfarms's share price rising.

If Marathon is also interested in acquiring Bitfarms, we could have a bidding war in the Bitcoin mining sector.

**all charts are provided by 10x Research PTE. LTD. based on various external data sources, which can include, Coingecko, Investing, Coinalyze, Stelareum, Token Terminal, YahooFinance, amongst others.*