

INITIATION OF COVERAGE | AI INFRASTRUCTURE

CIPHER DIGITAL

NASDAQ: CIFR

Leases create value. Funding determines ownership.

HOLD | Contracted data-center growth supports the business, but construction, financing and pipeline conversion constrain value for existing shareholders.

HOLD	\$16	\$15.70	+1.9%
RATING	BASE-CASE TARGET	DATED CLOSE	IMPLIED RETURN
High uncertainty	12-18 month review horizon	2026-10-02	Price-only; excludes dividends

Investment conclusion

Our \$16.00 target rounds Base intrinsic value of \$16.24 to the nearest dollar. Probability-weighted value is \$12.46 and the finite-lease DCF cross-check is \$8.49. These lower measures temper the Base investment case; they are not averaged into the target.

The opportunity	The equity constraint
Three contracted campuses anchor rental cash flow.	Completion costs, restricted cash and debt service precede distributions.
Named grid pipeline offers further development.	Unsigned capacity is probability-weighted, not contracted rent.
Long leases support project financing.	Refinancing and future common issuance remain conditional.

493 MW	5.5% / 6.5%	\$3.634bn
CONTRACTED IT CAPACITY	BASE CAP RATES	COMMON FUNDING
207 / 216 / 70 MW	Contracted / pipeline; DR estimate	Full modeled horizon; DR estimate

5 October 2026 edition. Early access for subscribers and site visitors. Reference: 2 October 2026 regular-session close.

The model discounts future cash flows and stabilized property values to its Q4 2026 opening. The 12-18 month target is a research realization convention, not a mechanically rolled-forward future share price.

Investment thesis

A landlord and developer, not a GPU-cloud operator.

Contracted infrastructure is the foundation

Cipher is transitioning from bitcoin mining toward long-duration AI data-center leases. Barber Lake, Black Pearl and Stingray provide the contractual core. Their aggregate modeled critical IT capacity is 493 MW, distinct from 700 gross MW. Rent acceptance, tenant obligations and construction scope matter more than headline power availability. [1-5]

Pipeline creates opportunity and uncertainty

Reveille, Ulysses and Odessa offer nearer-term leasing opportunities; larger later sites depend on grid studies, construction and financing. No separate value is assigned to speculative gas-generation MW or an uncontracted bare-metal cloud business. Management power targets do not establish commercial commencement. [2]

Capital allocation determines equity capture

Project value must cover remaining construction, taxes, financial claims and corporate costs. Funding at fair value does not create free shareholder value; issuance discounts and fees reduce the residual. Restricted cash is credited economically but cannot fund general corporate or unsigned development spending.

Scenario	DR prior	IV / share
Failure	10%	\$0.00
Bear	25%	\$0.00
Base	45%	\$16.24
Bull	20%	\$25.74

Failure and Bear exhaust modeled common value. Bull combines stronger leasing, lower capital costs and more favorable financing. The weights are analyst judgments, not measured event probabilities. A HOLD based on Base upside does not imply low downside risk.

CIFR | INITIATION OF COVERAGE

Contracted portfolio

Signed economics are retained; new-project assumptions apply only to pipeline.

Campus	Gross / IT MW	Initial term revenue	Term
Barber Lake	300 / 207	\$3.800bn	10 years
Black Pearl	300 / 216	\$5.500bn	15 years
Stingray	100 / 70	\$2.000bn	15 years

Barber adds a separately committed ten-year follow-on with approximately \$5.2bn revenue after its initial ten-year term. Nominal lease revenue is not current asset or equity value. The model distributes rent through each complete lease and uses 3% annual steps. First-year rent is normalized from rounded total revenue, rather than dividing by term length. [3]

Campus	Normalized first-year NOI / IT MW	Treatment
Barber Lake	\$1.339m	DR normalization; rounded disclosed terms
Black Pearl	\$1.369m	DR normalization; rounded disclosed terms
Stingray	\$1.536m	DR normalization; rounded disclosed terms

Counterparty and expense scope

Barber has Fluidstack lease and backstop arrangements; the model does not assume the original Google protection extends to the separate follow-on. Black Pearl and Stingray have AWS-related long-term arrangements. Stingray disclosure describes Amazon parent support and a triple-net scope with defined structural maintenance obligations. Legal guarantees do not eliminate completion or acceptance risk. [3-5]

Barber uses an estimated 83.6% blended NOI margin; the other signed leases use modeled near-100% NOI consistent with disclosed lease scope. Additional maintenance is deducted separately. NOI is not EBITDA after corporate expenses or cash available to common shareholders.

CIFR | INITIATION OF COVERAGE

Delivery and construction

Phased acceptance and unpaid capital remain central to the forecast.

The September 25 Barber amendment moves individual hall delivery through Q4 2026 and Q1 2027. Cipher bears the first \$359.3m above the initial budget. Half of further qualifying excess is reimbursed over the lease through additional rent; the contractual return is undisclosed. The model uses an 8% estimated return, not an immediate cash refund. [3]

Campus	Remaining cash cost at Q4 opening	Base extra overrun
Barber Lake	\$1.069bn	\$0.359bn
Black Pearl	\$1.096bn	Included in scope estimate
Stingray	\$0.573bn	Included in scope estimate

Remaining costs roll June construction-in-progress, unpaid capital and deposits into an estimated Q4 2026 opening. Estimated Q3 project spend is \$0.9bn. The accounting construction balance is not treated as cash already paid, and restricted financing is not counted as unrestricted liquidity. The site allocation and initial Barber budget remain DR estimates.

Base calendar year	Rental revenue \$bn	NOI \$bn	Cash capex \$bn
2027	0.711	0.656	3.450
2028	1.006	0.950	2.889
2029	1.444	1.386	1.883
2030	1.752	1.693	0.924
2031	1.935	1.874	0.693

These are modeled landlord cash flows, not a forecast of every consolidated reporting line. Commercial rents follow modeled acceptance; power connection alone does not produce revenue. Quarterly timing, phase shares and remaining construction allocation are independent estimates.

CIFR | INITIATION OF COVERAGE

Pipeline underwriting

Future lease economics are explicit estimates, not management commitments.

Site	Gross MW	Base joint probability	Modeled commercial start
Reveille	70	80%	2028 Q1
Ulysses	200	80%	2028 Q2
Odessa conversion	207	50%	2028 Q3
Colchis	1000	30%	2029 Q2
Mikeska	500	30%	2029 Q3
McLennan	500	30%	2029 Q4
Milsing	500	10%	2031 Q1
Barber adjacent	500	10%	2031 Q2
Stingray adjacent	200	10%	2031 Q3
Apollo	900	10%	2031 Q4

A 70% gross-to-IT conversion and site probability are applied once; Colchis additionally uses 76% ownership. Probabilities are joint execution judgments, not independently multiplied gate probabilities. Construction begins only after forecast lease and financing milestones; rent follows construction and power availability. [1,2]

Base new-project first-year NOI is \$1.55m per IT MW against \$11m construction capital: a 14.1% gross development yield before maintenance, corporate expense and tax. Contractual rent escalators do not prove future market rent inflation. A 10% higher NOI of \$1.705m is a sensitivity, not the Base assumption; signed rents are unchanged.

Newly signed sites should replace estimated rent with disclosed contract economics, update budget and financing separately, and move out of pipeline value. A site must never remain counted in both contracted and prospective portfolios. Target energization dates are not achieved leasing milestones.

CIFR | INITIATION OF COVERAGE

Funding and liquidity

Quarterly sources and uses are separate from property appraisals.

Estimated opening / full-horizon item	USD bn
Opening corporate cash	0.802
Opening restricted project cash	2.828
Existing funded principal	6.016
Total future common funding	3.634
PV of net common funding	2.810
PV issuance friction	0.376

Year	CFO \$bn	Capex \$bn	Common funding \$bn
2027	0.157	3.450	0.916
2028	0.286	2.889	1.216
2029	0.526	1.883	0.441
2030	0.794	0.924	0.491
2031	0.899	0.693	0.569

CFO deducts interest, maintenance, cash tax and overhead. Construction and predevelopment, amortization and maturities enter the cash waterfall separately. Forecast equity fills deficits to preserve minimum corporate cash. The schedule does not spend capitalized asset value before a modeled sale.

Base future equity uses 2% fees, a 10% issue discount and 12% equity return to align issue-date proceeds and claims. Future market prices and access to capital are not assured. New project debt is limited by cost and debt-service capacity; refinancing uses site-level NOI and collateral assumptions. The \$200m RCF is not drawn in Base. [1]

CIFR | INITIATION OF COVERAGE

Debt, dilution and taxes

Economic claims are counted once; legal settlement remains conditional.

Secured project	Principal \$bn	Coupon	Amortization treatment
Barber Lake	1.733	7.125%	5.5% DR estimate
Black Pearl	2.000	6.125%	7% original principal
Stingray	0.810	6.000%	1.25x NOI proxy

Convert	Principal \$m	Conversion price	Hedge cap
2030	172.5	\$4.45	\$4.45
2031	1300.0	\$16.03	\$23.32

Reported principal remains debt; only economic premium dilution above effective protection is added. The 2030 series has no incremental capped-call relief in the model. Google warrant shares follow a minimum-share and separate settlement-reference convention, not the solved intrinsic value. [1,6]

Opening basic shares are 414.254m. Service RSUs, remaining earned PSUs, scenario performance claims and a small unreconciled award reserve are added separately. Base future-funding shares are 196.157m on a present-value-equivalent basis, not current outstanding shares. Post-June award movements remain unverified.

Stingray uses a quarterly proxy for reported semiannual NOI-based amortization; Black Pearl uses disclosed annual principal amortization. Barber amortization, reserve release and refinancing remain estimated. The schedule is not a lender covenant certification. [7,8]

Annual operating tax and NOL ledgers are pooled. Base assumes a 23% combined rate, estimated asset basis and depreciation, and no credit for historical NOLs absent an ownership-change study. Disposal taxes are separately reserved without speculative loss offsets. These are modeling assumptions, not a company tax return. [9]

CIFR | INITIATION OF COVERAGE

Valuation and target

Stabilized property value is reconciled to existing common equity.

Base value bridge	USD bn
Contracted project NAV	9.170
Pipeline NAV	6.950
Corporate cash	0.802
Restricted project cash	2.828
Bitcoin	0.038
Financial debt	-6.016
Other claims	0.000
Mining transition value	0.030
Corporate overhead PV	-1.284
Future compensation reserve	-0.250
Corporate tax reserve PV	-4.055
Pre-funding equity	8.212
Less issuance friction	-0.376
Existing-holder value	7.836

Base discounts stabilized NOI capitalized at 5.5% for contracted and 6.5% for pipeline assets and deducts remaining construction. Both blend legs coincide in Base. The resulting \$16.24 per share rounds to a \$16.00 target. Financial debt, corporate costs, taxes and dilution are counted once.

The cap rates are DR judgments. A reviewed June Digital Realty transaction disclosed a yield above 6.5%; it does not directly validate Cipher's lower contracted Base rate. Different lease scope, assets and counterparties limit comparability. No separate cloud premium is added. [10]

Recommendation convention: more than +15% implies BUY; below -15% implies SELL; otherwise HOLD. At \$15.70, the rounded target implies +1.9%, hence HOLD. PW is a separate measure, not the recommendation target.

Cross-checks and downside

The DCF gap is economically material, even after reconciliation.

Valuation method	Base per share
Stabilized-NOI capitalization	\$16.24
Finite-lease and sale DCF	\$8.49
Difference	\$7.76

The \$3.824bn property-value difference fully explains the pre-funding equity gap. Capitalization implies continuing property value; the finite DCF includes a higher exit yield, refurbishment and selling costs. Taxes and cash/debt treatment are shared. Tenant options are not guaranteed renewal income and are not added above the sale value.

Financing diagnostic	IV / share	Common funding \$bn
No future refinancing	\$15.70	7.003
Restricted cash never released	\$16.18	3.984
Barber annual amortization 3%	\$16.27	3.541
Barber annual amortization 8%	\$16.22	3.726

Why common recovery reaches zero

Failure is negative before funding. Bear retains only \$16.8m before estimated issuance costs of \$650.3m exhaust the residual. Eliminating issuance friction alone gives about \$0.04 per share. A 20% uplift to Bear net property value produces about \$0.95, while Failure remains zero.

These are going-concern NAV sensitivities, not a liquidation appraisal or legal creditor waterfall. Negotiated restructuring recoveries are not known. No arbitrary positive common-equity floor is added. The DCF has zero weight in the headline target; the divergence remains a reason for caution.

Scenarios and uncertainty

Simulation quantifies selected assumptions, not real-world odds.

Scenario	Pipeline NOI \$m/IT MW	Capital \$m/IT MW	IV / share
Failure	1.25	13.0	\$0.00
Bear	1.40	12.0	\$0.00
Base	1.55	11.0	\$16.24
Bull	1.70	10.5	\$25.74

10,000-draw simulation	USD / share
MEAN	\$13.09
MEDIAN	\$12.55
P10	\$0.00
P25	\$0.00
P75	\$21.23
P90	\$29.01

Seed 20260928; zero-equity frequency 27.49%. Conditional medians: Failure \$0.00, Bear \$0.00, Base \$15.93, Bull \$25.65. The unconditional median is not the Base scenario.

Execution, leasing economics, construction costs, cap rates, credit and issuance shocks are correlated. Every draw recomputes the valuation and security claims. Model priors, correlations and dispersions are judgments, not empirically calibrated loss or default probabilities. Signed rent terms stay fixed except for explicit collection stress.

The simulation mean exceeds deterministic PW because lognormal shocks, financing friction and zero floors are nonlinear. More draws reduce simulation noise, not uncertainty about chosen economics. No value has been tuned to the share price.

CIFR | INITIATION OF COVERAGE

Catalysts, risks and falsifiers

Monitor evidence that changes cash generation or claims on it.

Evidence to monitor	Investment implications
Barber phased acceptance in Q4 2026 / Q1 2027	Timely acceptance supports rental cash flow; delays increase funding needs.
Black Pearl and Stingray completion / cash NOI	Realized rent and operating expenses will test forecast NOI.
Reveille, Ulysses and Odessa executed leases	Signed economics and funded budgets would reduce pipeline uncertainty.
Grid studies and power delivery	Power availability supports delivery, but rent still requires tenant acceptance.
Debt draws, reserves, refinancing and distributions	Financing terms and cash restrictions determine funds available to shareholders.
Award movements and hedge settlement	Changes in awards and hedge realization affect per-share value.

Thesis risks

Material tenant cancellation or default; repeated acceptance delays; prospective NOI below \$1.3m per IT MW alongside costs above \$12m; unavailable refinancing; or common issuance materially above the funding forecast. Indicative debt-service coverage below 1.2x is a research warning, not a contractual default test.

What could improve the case

Comparable signed rents above the pipeline estimate, verified construction savings, earlier acceptance or cheaper repeat financing can raise value. The valuation impact depends on the associated capital requirements and financing terms.

Remaining limits

Unsigned project rents, construction budgets, joint signing probabilities, quarterly payment conventions, future tax basis and post-June awards remain estimated. The model is reproducible research, not an independent audit, a covenant opinion or a guarantee of financing. Its apparent numerical precision exceeds the precision of the underlying forecasts.

CIFR | INITIATION OF COVERAGE

Sources and disclosures

Primary facts, guidance and independent estimates remain distinct.

[1] Q2 2026 Form 10-Q | 2026-08-04

[2] Q2 2026 business update | 2026-08-04

[3] Barber Lake September amendment and follow-on commitment | 2026-09-25

[4] Black Pearl lease economics | 2026-01-26

[5] Stingray lease economics | 2026-06-01

[6] 2031 convertible and capped-call terms | 2025-10-01

[7] Stingray 6% secured notes indenture | 2026-06-15

[8] Black Pearl financing and 7% initial amortization | 2026-02-11

[9] 2025 income-tax note and NOL limitations | 2025-12-31

[10] Digital Realty / Blackstone Northern Virginia transaction | 2026-06-29

Price reference: ChartExchange regular-session close | 2026-10-02, \$15.70. Frozen report reference, not a live quote.

Evidence hierarchy

Company balances, security terms and executed agreement disclosures are reported inputs. Deployment plans and forward contract illustrations are management guidance/commentary. Scenario probabilities, future cash flows, costs, financing, cap rates, tax basis, equity claims and recommendation are Dilikoglu Research estimates or judgments. The underlying source register retains specific verification limits.

Author and conflicts

Tugay Dilikoğlu confirmed on 1 October 2026 that he holds no CIFR securities, has no material interest in Cipher Digital, and has received no compensation from the company or any third party for this research. Research is produced independently and separately from professional responsibilities.

Reproducibility

Model baseline: 30 September 2026; financing and robustness review: 1 October. The report uses a frozen model snapshot. The dated price reference updates the implied return and recommendation without changing the underlying operating and valuation assumptions.

Model snapshot SHA-256: 636f1ae069161c335b8f3cb193361133b976481b49c274097b7a69f8db1e0953

Research disclosure

Independent research for informational purposes, not personalized investment advice. Targets are uncertain and equity may lose its entire value. No institutional or regulatory approval is implied.