

NEBIUS GROUP

NASDAQ: NBIS

Growth must fund equity value

We initiate coverage with a BUY rating and a \$265 12-18 month target, anchored to \$265.43 Base intrinsic value. Commercial growth supports upside to the dated reference, while funding, dilution and a severe downside tail make this a high-risk investment case.

BUY	\$265	\$223.54	18.5%
RATING	TARGET PRICE	REFERENCE PRICE	IMPLIED UPSIDE
High risk	12-18 months	18 September 2026	vs. dated reference

THE INVESTMENT CASE	THE INVESTMENT RISK
- Higher new-cohort pricing supports revenue growth. - Base: 1,233 MW added in 2027 at \$20m ARR/MW. - Customer cash and secured funding reduce residual common-equity needs.	- Failure equity value is zero. - Base still requires \$7.06bn of new common equity. - Delivery, funding and security-term verification remain material risks.

KEY UNDERWRITING MARKERS

1,900 MW	\$32.66bn	4.0x	\$265.43
YE27 COMMERCIAL	YE27 EXIT ARR	BASE CLOUD EV / ARR	BASE INTRINSIC VALUE
DR estimate	DR estimate	DR estimate	Per diluted share

Primary catalyst

Accepted commercial capacity, comparable signed pricing and repeat secured financing that validate the FY27 operating and funding case.

Thesis breaker

Persistent new-cohort economics below \$12-15m/MW, deployment materially below 700 MW, or financing that repeatedly transfers value away from existing holders.

Report prepared 20 September 2026 from the 13 September model. Valuation horizon: 31 December 2027. Reference: 18 September 2026 regular-session closing price; not a live quote. BUY and the \$265 target are assessed against this dated reference. Source and methodology limitations appear on page 12.

Dilikoglu Research | dilikogluresearch.com | Independent equity research

Executive summary

Attractive operating growth does not automatically create attractive risk-adjusted equity value.

BUY | \$265 target | 12-18 months

The \$265 target rounds the \$265.43 Base valuation to the nearest \$5. Against the \$223.54 reference, implied upside is 18.5%. BUY is based on realization of the Base operating and funding case over 12-18 months. It is a high-risk, Base-case recommendation: probability-weighted value remains \$215.89, below the reference, so the recommendation does not imply attractive expected returns across all scenarios.

The investment view

Nebius offers exposure to AI-cloud demand through commercially delivered compute capacity. The central question is how much of that growth accrues to existing shareholders after capital expenditure, debt and new equity. Our Base case has substantial operating scale, but the downside cases combine weaker cash generation with heavier dilution.

Base underwriting	Current model
YE27 commercial capacity	1,900 MW
Incremental 2027 commercial capacity	1,233 MW
New-cohort ARR per MW	\$20m
FY27 revenue / exit ARR	\$21.259bn / \$32.664bn
FY27 adjusted EBITDA margin	50%
New common equity / issue price	\$7.058bn / \$225
Base / probability-weighted IV	\$265.43 / \$215.89

Why Base and probability-weighted value differ

The 10% Failure, 30% Bear, 45% Base and 15% Bull weights produce \$215.89 per share. The Base result of \$265.43 is not the expected outcome across all scenarios. Relative to the frozen \$223.54 reference, Base is 18.7% higher while PW value is -3.4%. These are dated comparisons, not current trading signals.

What must be demonstrated

Commercial delivery must sustain the intended pace, customer cash must be available when capital bills fall due, and lenders must repeatedly finance the asset base on workable terms. Until then, forecast funding is an assumption rather than a commitment.

Scope of this report

This is the final formatted report of the existing research baseline. The recommendation uses the existing model and dated price reference; the reference price is updated to the 18 September close, while operating and valuation assumptions remain unchanged. Remaining source gaps and simplified annual financing are disclosed, not silently resolved.

Investment thesis

Commercial execution, customer economics and funding are inseparable.

Pillar	DR interpretation	Evidence required
Demand conversion	Contracted demand matters when service becomes billable.	Customer acceptance and delivered commercial MW.
Cohort pricing	New contracts can earn more than the legacy fleet.	Comparable signed economics and contract duration.
Operating leverage	A 50% Base margin supports internal cash generation.	Sustained margin as the fleet scales.
Funding capacity	Prepayments and secured loans can reduce common issuance.	Executed cash terms, restrictions and repeatability.
Equity capture	Convert premiums, awards and future funding dilute value.	A reconciled debt and share bridge.

The differentiated argument

The valuation separates an established cohort from capacity commissioned during 2027. It does not apply the strongest new-deal economics to the entire fleet, and it does not count contracted or connected power as immediately revenue-producing capacity. Commercial readiness changes timing and scale; it does not raise pricing by itself.

A demanding Base case

Base combines 1,233 MW of additions, \$20m new-cohort ARR/MW, 50% EBITDA margin and \$20bn of new secured and corporate debt. Each input is individually consequential. Together they require sustained delivery and access to capital; treating the package as a low-risk outcome would overstate confidence.

What the multiple assumes

The 4.0x Base enterprise-value-to-exit-ARR multiple is a DR judgment about durable growth and eventual cash returns. ARR is not free cash flow. Hardware replacement, renewals, customer concentration and pricing durability remain relevant even if near-term contracts perform.

All thesis judgments and forward operating assumptions on this page are Dilikoglu Research estimates.

Business and source context

Reported results anchor the model; future scale remains underwriting.

Evidence	Value / statement	Classification
Q2 2026 AI Cloud revenue	\$574.9m	Reported [1]
Q2 ARR / adjusted EBITDA margin	\$3.0bn / 49.7%	Reported [1, 2]
YE26 ARR	\$7-9bn	Management guidance [2]
Annual deployment from 2027	More than 1,000 MW	Management guidance [2]
Q2 landmark deal economics	\$20-25m per MW	Management commentary [2]
2026 customer prepayments	More than \$9bn	Management guidance [2]
July secured financing	\$775m	Reported financing [2]

How the evidence enters the model

The 50% FY27 margin is a DR extrapolation from the reported quarter, not a promise of future profitability. Likewise, the deployment guidance is not a management forecast of 1,900 MW of year-end commercial capacity. The latter is our scenario center.

Contract comparability

Annual contract value, duration, hardware generation and associated obligations must be compared consistently. The production model uses new-cohort ARR/MW as a normalized valuation input; that normalization is a research judgment.

Evidence still to complete

Award-table verification, intermediate contractual accretion schedules and private-stake ownership bridges remain open in the production source register. They are carried as explicit limitations rather than presented as newly verified facts.

Sources [1] and [2] were reopened for this report. Forecast inputs and other model references retain their stated verification scope.

Capacity and exit ARR

Scenario centers preserve the distinction between power availability and revenue-producing service.

Scenario	Weight	YE27 MW	Added MW	Exit ARR
Failure	10%	1,000	500	\$9.500bn
Bear	30%	1,450	867	\$19.127bn
Base	45%	1,900	1,233	\$32.664bn
Bull	15%	2,250	1,500	\$46.875bn

ARR per MW (\$m)	Failure	Bear	Base	Bull
Legacy cohort	9.0	10.5	12.0	12.5
New cohort	10.0	15.0	20.0	25.0
Blended exit	9.50	13.19	17.19	20.83

Base arithmetic

An opening 667 MW commercial-equivalent cohort at \$12m per MW contributes \$8.004bn. Adding 1,233 MW at \$20m per MW contributes \$24.660bn. Together these yield \$32.664bn of exit ARR and \$17.19m blended ARR/MW. The opening cohort is inferred from ARR, not a reported connected-power measure.

No second utilization haircut

Commercial MW and cohort revenue assumptions already represent the intended billable economic base. The model recognizes revenue as capacity is commissioned; applying an additional blanket utilization haircut after that would reduce the same economic activity twice. A different utilization case should alter the relevant capacity or pricing assumption explicitly.

All scenario MW, pricing and probabilities are DR estimates. Contracted, connected, commercial and utilized-billable capacity are not interchangeable.

Revenue and cash recognition

FY27 sales depend on commissioning; exit ARR describes the final run-rate.

Base quarter	Added MW	Exit ARR (\$bn)	Revenue (\$bn)
Q1	369.90	15.402	2.926
Q2	308.25	21.567	4.621
Q3	308.25	27.732	6.162
Q4	246.60	32.664	7.550

Base deploys 30 / 25 / 25 / 20% of additions across the four quarters. Mid-quarter commissioning is approximated by quarterly revenue equal to opening plus closing ARR divided by eight. Summing the quarters produces \$21.259bn of FY27 revenue, versus \$32.664bn of exit ARR.

Base cash bridge	USD bn
Revenue	21.259
Adjusted EBITDA at 50%	10.629
Less additional cash-cost bridge	2.450
New prepayments less prepaid revenue release	10.000 - 4.000 = 6.000
Operating/customer CFO	14.179
Opening / ending deferred revenue	9.700 / 15.700

Prepayments are counted once

Revenue and EBITDA include service delivered against prepaid contracts. The cash bridge adds new prepayments and subtracts the release of prior customer funding. It does not add the full prepayment receipt on top of CFO again in the funding waterfall.

Cash costs are an aggregate DR bridge beyond adjusted EBITDA, not a fully itemized tax, interest and working-capital schedule. CFO is an operating/customer funding estimate, not a forecast GAAP cash-flow statement.

Capital requirements and funding

Common equity is the residual after customer cash, liquidity and new borrowing.

FY27 funding (\$bn)	Failure	Bear	Base	Bull
Project capital	27.50	45.52	61.65	75.00
Cash capex	25.25	39.49	47.24	53.80
Operating/customer CFO	0.95	6.03	14.18	23.27
Opening deployable liquidity	2.00	4.00	6.00	8.00
New secured debt	2.00	8.00	17.00	23.00
New corporate debt	0.00	2.00	3.00	0.00
Residual common equity	20.30	19.46	7.06	0.00

Capital built is not cash paid

Base system capital is 1,233 MW times \$50m/MW, or \$61.65bn. The model pays 75% during 2027 and adds \$1bn of other/maintenance spending, giving \$47.238bn of cash capex. The \$50m figure is DR arithmetic informed by commentary; it is not reported capex.

Base funding bridge

\$47.237bn less \$14.179bn of CFO, \$6bn opening deployable liquidity, \$17bn secured debt and \$3bn corporate debt leaves \$7.058bn of common equity. At an assumed \$225 issuance price, that adds 31.369m shares.

Cash timing remains a limitation

The model balances annual sources and uses. It does not demonstrate that each quarterly construction bill can be met, or verify borrowing-base, collateral, covenant and debt-service tests. Future facilities are estimates. Corporate funding is treated as debt at par because future convertible terms do not exist.

Cash-capex payment shares are 90 / 85 / 75 / 70%; other/maintenance spending is \$0.5 / \$0.8 / \$1.0 / \$1.3bn. All forward funding inputs are DR estimates.

Capital structure and dilution

Debt equivalents and premium shares prevent convert double counting.

Base economic share bridge	Million shares
Ordinary shares	271.855218
NVIDIA pre-funded warrant	21.066
August exchange	15.800
RSUs	6.234
Treasury-stock option dilution	4.490
Convert premium dilution	20.846
Future common funding	31.369
Total modeled claims	371.661

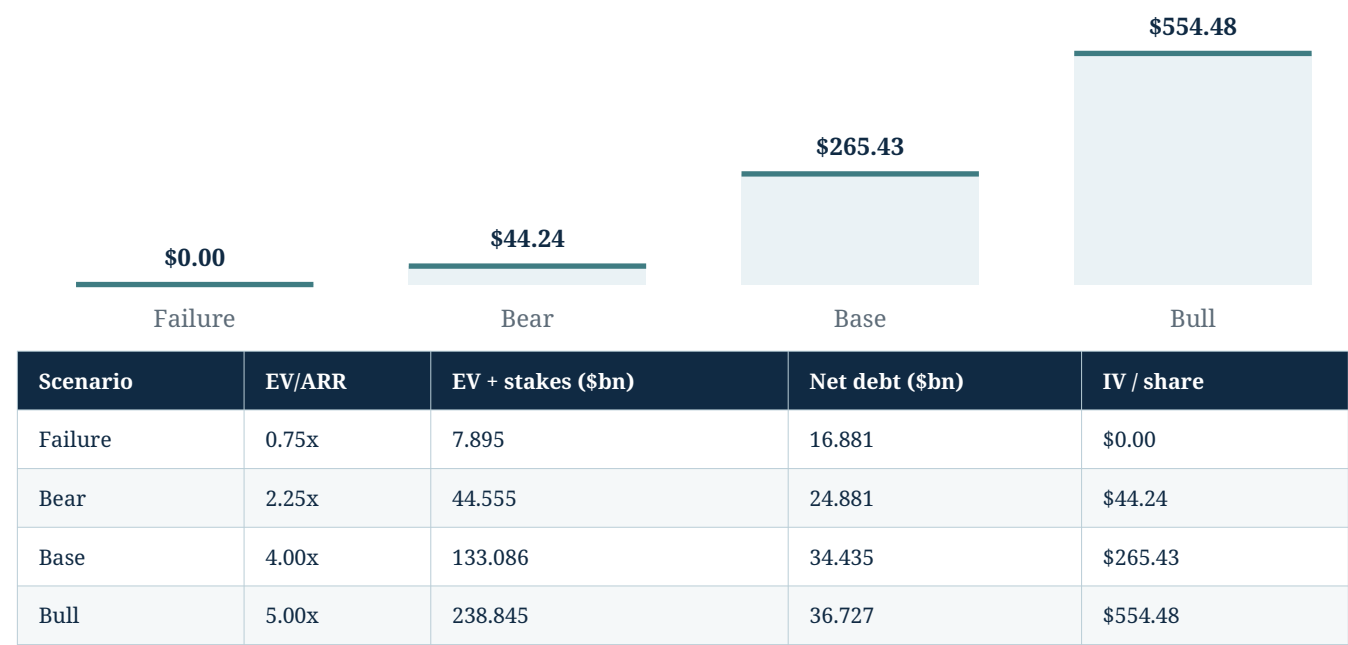
Series	Original (\$bn)	Convert price	YE27 accreted (\$bn)
Jun29	0.0875	\$51.45	0.0984
Jun31	0.0875	\$51.45	0.0963
Sep30	1.5810	\$138.75	1.6856
Sep32	1.5810	\$138.75	1.6550
Mar31	2.5880	\$183.22	2.7623
Mar33	1.7500	\$180.31	1.8333
Aug30	3.4500	\$313.46	3.5802
Aug34	2.3000	\$324.65	2.3947

Debt-like notes retain accreted principal and no conversion shares. Conversion-like notes retain original-principal debt equivalent plus premium shares only. Options use 6.741m awards at an \$88.65 strike. Neither warrants nor treasury-stock options receive a second exercise-cash credit.

YE27 accretion is compound interpolation, not a transcribed contractual table. A ±5% band around estimated conversion thresholds approximates participation; terminal price cannot prove the legal multi-day eligibility test. June aggregate GAAP carrying value is not allocated to tranches. Supplied award counts still await primary-table verification.

Valuation

Cloud enterprise value, non-core stakes and economic net debt determine per-share value.



Base enterprise-to-equity bridge

\$32.664bn of exit ARR times 4.0x gives \$130.656bn of cloud value. Adding \$2.430bn of non-core stakes and subtracting \$34.435bn of economic net debt leaves \$98.651bn of equity. Dividing by 371.661m modeled claims gives \$265.43.

Non-core stake (\$bn)	Failure	Bear	Base	Bull
ClickHouse	0.75	1.15	1.52	2.25
Toloka	0.00	0.05	0.09	0.25
Avride	0.00	0.30	0.75	1.80
TripleTen	0.00	0.00	0.05	0.15
Other	0.02	0.02	0.02	0.02

All stake values are DR estimates. Private-round observations do not establish the realizable value of Nebius holdings; a verified ownership-to-stake valuation bridge remains outstanding. No additional power-asset value or unpriced partnership uplift is included.

PW value = 10% x \$0.00 + 30% x \$44.24 + 45% x \$265.43 + 15% x \$554.48 = \$215.89. The model applies its multiple to YE27 ARR without a separate present-value discount; this is a horizon-based scenario valuation, not a DCF.

Uncertainty and simulation

A correlated sensitivity distribution, not a calibrated forecast of investment returns.

Simulation statistic	Result
Draws / seed	40,000 / 20260913
Mean / median	\$226.89 / \$187.76
P10 / P25	\$0.00 / \$42.35
P75 / P90	\$340.74 / \$519.76
Below / above \$223.54	56.04% / 43.96%
Zero equity frequency	10.52%

Conditional scenario	Draws	Median IV
Failure	4,079	\$0.00
Bear	12,168	\$43.36
Base	17,831	\$263.33
Bull	5,922	\$547.82

How the draws work

Execution, market and credit factors jointly change deployment, cohort pricing, margins, capital intensity, cash timing, customer prepayments, debt availability, equity issuance price, valuation multiples and stake values. Each draw passes through the same cash and dynamic dilution engine as the deterministic cases.

Why the outputs differ

The simulated mean is \$11.00 above deterministic PW value. Median-centered positive shocks are not mean-centered, and the zero-equity floor, residual funding and conversion participation are nonlinear. The median is lower than both because the distribution has a long positive tail. No target output is forced.

Correlations and dispersions are DR assumptions. The simulation does not model the legal conversion-price path or quarterly financing availability. Statistical precision from 40,000 draws does not eliminate uncertainty in the chosen inputs.

Risks and monitoring

A strong revenue trajectory can coexist with severe shareholder losses.

Evidence band	Failure	Bear	Base	Bull
2027 new commercial MW	<650	650-<1,050	1,050-1,350	>1,350
Comparable new-contract ARR/MW (\$m)	<12	12-<17	17-23	>23
AI Cloud EBITDA margin	<25%	25-<40%	40-52%	>52%
New-deal payback (years)	>3.5	>2.5-3.5	1.5-2.5	<1.5

Hard falsifiers

- Persistent new-cohort ARR/MW below ~\$12-15m
- 2027 deployment materially below ~700MW
- Scaled AI Cloud EBITDA margin below ~30%
- Common equity exceeds 50% of incremental build cash funding
- New-deal payback exceeds 3.5 years
- Material customer cancellation, default or refund
- Inability to repeat asset-backed financing
- Repeated distressed dilution

Catalysts that change the evidence

Commissioning and customer acceptance update delivered capacity. Comparable signed contracts update cohort economics. Executed asset-backed facilities and customer cash update financing capacity. These should change assumptions only to the extent their economics and cash restrictions are known.

Partnership discipline

Palantir remains a catalyst/watchlist item only. No valuation uplift is assigned without disclosed economics. Power readiness can change deployment and financing; it does not mechanically increase ARR per MW.

Bands are DR monitoring judgments, not automatic probability switches. New-deal payback must retain a comparable cost and cash-timing basis; it should not be inferred from system capital divided by EBITDA alone.

Sources and methodology

A dated production-model snapshot with explicit evidence boundaries.

1. Nebius Q2 2026 results
2. Q2 2026 shareholder letter
3. June 2025 convertible terms
4. September 2025 convertible terms
5. March 2026 convertible terms
6. August 2026 convertible terms
7. August 2026 closing and exchange

Price reference: [Stock Analysis historical prices](#), 18 September 2026 regular-session close, \$223.54. Monte Carlo comparison rerun with the unchanged production seed and assumptions.

Source classification

Reported: company results and disclosed financing terms. Management guidance-commentary: stated plans, contract observations and forward guidance. Dilikoglu Research estimate: scenario weights, future operations, funding, issuance prices, private stakes, accretion interpolation and simulation parameters. References [1]-[2] were reopened on 20 September; [3]-[7] retain the production source-register review scope.

Unresolved verification

Contractual intermediate accretion schedules, primary award tables, GAAP tranche carrying amounts and private-stake ownership bridges remain incomplete. The \$50m/MW capital estimate lacks an independently located commentary transcript. Annual financing does not establish quarterly cash sufficiency. No claim of a fully audited integrated forecast is made.

Reproducibility

All four scenarios and 40,000 seeded Monte Carlo draws were recalculated from canonical NBIS assumptions and reproduced the production results exactly. The PDF is a dated snapshot; subsequent dashboard changes will not silently update it.

Model date: 13 September 2026. Report date: 20 September 2026. Horizon: 31 December 2027. Source code: [static/nbis-engine.js](#); inputs: [data/nbis/assumptions.json](#).

Assumptions SHA-256: 1d4ecf60331d4a2c0c782e112bb86336f6e21353e3e58ecd138d1e468bf21740

[Interactive NBIS model](#) | [Canonical company coverage](#)

Disclosures

Independent research for informational purposes, not personalized investment advice. Scenarios can be wrong and equity can lose its entire value. Reference-price comparisons use the 18 September 2026 closing price, not a live quote. BUY and the \$265 12-18 month target reflect DR judgment against that dated reference. No current-price return forecast or institutional approval is implied. Author: Tugay Dilikoğlu. Published by Dilikoglu Research.

At publication of this report, Tugay Dilikoğlu held no NBIS securities and had no material interests in the company. He received no compensation from the company or any third party for this research.

Disclosure confirmed 2026-09-25. Publication-date statement.