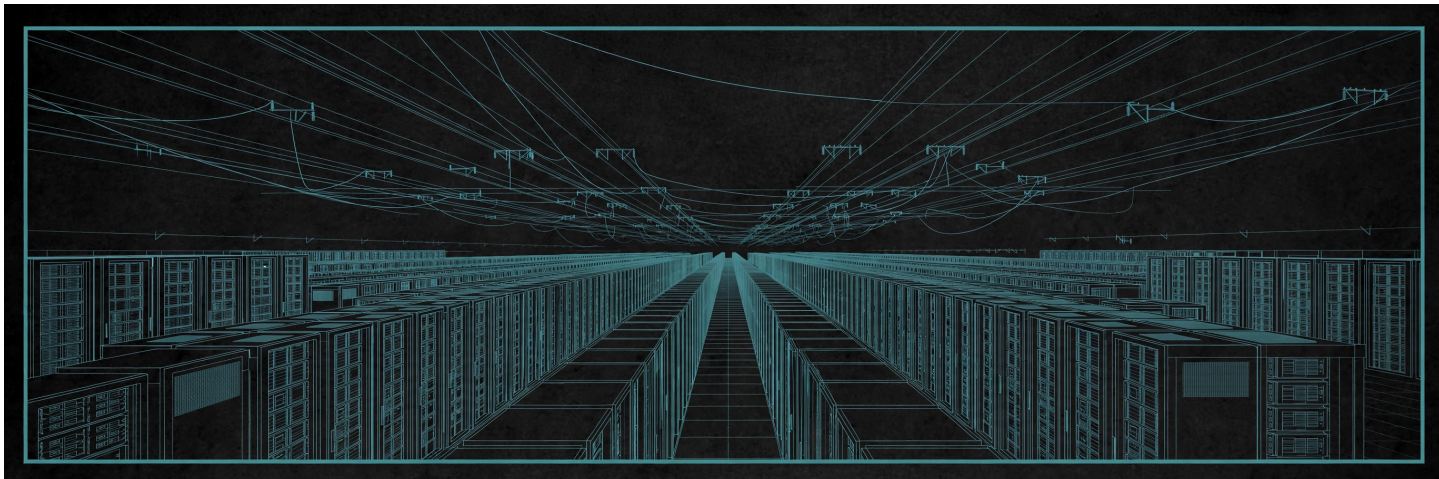




# Nebius Group Investment Report

The fastest-scaling independent AI cloud on earth: \$40B of committed backlog, pricing power on every GPU generation, and a funding model where customers prepay the build.

DalalBytes Research · October 7, 2026 · Reference price \$249.87 (October 6, 2026 close) · NASDAQ: NBIS

## DALALBYTES VERDICT

### Positive, with a funding watch · 70/100

The fastest-scaling independent AI cloud on earth, sold out with pricing power, priced as if the \$20-25B annual build funds itself flawlessly. FY2029 targets (DalalBytes estimates): bear \$120, base \$460, bull \$800.

## The verdict

Nebius went from a \$551 million ARR curiosity in Q3 2025 to \$3.0 billion of ARR in Q2 2026, signing the two largest AI infrastructure contracts ever disclosed by an independent neocloud along the way. Microsoft committed about \$17.4 billion with an option to \$19.4 billion (September 2025). Meta committed \$12 billion of dedicated capacity with a path to \$27 billion total (March 2026). Committed backlog sits near \$40 billion with potential above \$46 billion, roughly 13x trailing-twelve-month revenue. That ratio is the bull case in one number.

Pricing power is the second proof point, and it is unusual. On October 1, 2026, Nebius raised on-demand GPU prices 17-21%, its second increase in three months, and it raised prices on H100s, a chip generation launched in 2022. Raising rental rates on four-year-old silicon means demand is outrunning supply across every

generation, not just Blackwell.

The funding model is the third proof point. About 70% of Q2 2026 deals included customer prepayments covering 50-60% of the associated capex, with more than \$9 billion of prepayments expected in 2026. Customers are financing the build.

The bear case is the bill and the concentration. Guided 2026 capex of \$20-25 billion is 6-8x guided revenue of \$3.0-3.4 billion. Two customers dominate the \$40 billion backlog. The Microsoft contract is subject to deployment and availability with per-tranche termination rights; the filing never says "take-or-pay." At \$249.87, the stock trades at about 21.5x 2026 EV/Sales on consensus, which leaves no room for a growth stumble.

**DalalBytes score: 70/100. Verdict: Positive, with a funding watch. FY2029 targets (DalalBytes estimates): bear \$120 (-52%), base \$460 (+84%), bull \$800 (+220%).**

## Why it is winning, with evidence

|                                                         |                                               |                                                 |                                                |                                                          |
|---------------------------------------------------------|-----------------------------------------------|-------------------------------------------------|------------------------------------------------|----------------------------------------------------------|
| <b>~\$40B</b><br>committed backlog<br>(13x TTM revenue) | <b>+454%</b><br>Q2 2026 YoY<br>revenue growth | <b>41%</b><br>Q2 2026 adjusted<br>EBITDA margin | <b>2</b><br>GPU price hikes<br>in three months | <b>&gt;\$9B</b><br>2026 customer<br>prepayments expected |
|---------------------------------------------------------|-----------------------------------------------|-------------------------------------------------|------------------------------------------------|----------------------------------------------------------|

The backlog, the pricing power, and the prepayment funding are the three facts that carry the bull case. Unit economics support the story at the megawatt level: \$20-25 million of annual contract value per MW on the four landmark deals (each above \$1 billion total contract value), and a \$40-50 million per MW opportunity on auction and short-term capacity, with the first such deal signed in Q3 2026. The inference layer is the emerging second engine: Token Factory workloads more than tripled in Q2 2026, and the October 1, 2026 Inferize acquisition targets GPU idle time directly.

## Financials: six quarters of compounding

All figures reported by the company unless noted. Revenue has compounded 39-75% sequentially for six straight quarters with no down quarter.

| Metric      | Q3 2025   | Q4 2025            | Q1 2026                                        | Q2 2026                           |
|-------------|-----------|--------------------|------------------------------------------------|-----------------------------------|
| Revenue     | \$146.1M  | \$227.7M           | \$399.0M                                       | \$582.3M                          |
| YoY growth  | +355%     | +547% (computed)   | +684%                                          | +454%                             |
| ARR (exit)  | \$551M    | ~\$1.25B           | \$1.92B                                        | \$3.0B                            |
| Adj. EBITDA | -\$5.2M   | n/d                | +\$129.5M (32%)                                | +\$236.2M (41%)                   |
| Net result  | -\$119.6M | ~\$250M (computed) | +\$621M (incl. non-operating); adj EPS -\$0.23 | GAAP -\$0.68/sh; adj net -\$33.2M |
| Capex       | ~\$955M   | 2025 guided ~\$5B  | ~\$2.5B                                        | \$5,657.4M                        |

| Metric      | Q3 2025 | Q4 2025    | Q1 2026             | Q2 2026    |
|-------------|---------|------------|---------------------|------------|
| Cash (exit) | n/d     | \$3,678.1M | \$9,298M (computed) | \$8,042.1M |

**Two margin definitions, stated plainly:** the company does not report gross profit; depreciation sits on its own line. From reported revenue and cost of revenues in the 6-K exhibits, the **reported-definition margin** is smooth and rising: 70.6% (Q3 2025), 69.9% (Q4 2025), 74.0% (Q1 2026), 77.1% (Q2 2026). **Including depreciation**, the full margin is far lower: 20.9% in Q1 2026 and 32.5% in Q2 2026. The bear case will quote the latter. Both are legitimate; the first measures operating leverage on delivered compute, the second the true cost including silicon wearing out. A circulated ~21% Q1 figure came from stuffing the \$212.0M D&A; charge into cost of goods: a methodology error, not a business event.

Cash and funding at June 30, 2026 (reported): \$8.04B cash, \$5.98B of deferred revenue (contracted cash already collected), \$8.50B of non-current debt. Since then: \$5.75B of converts (August 24, 2026, ~\$313 conversion), a \$2.8B ATM at ~\$224 average with 12.3M shares remaining, and a \$775M asset-backed facility (July 2026). FY2026 guidance reaffirmed August 12, 2026: revenue \$3.0-3.4B, ARR \$7-9B, ~40% EBITDA margin, capex \$20-25B. Next earnings: November 10, 2026.

## The contracts, read honestly

**Microsoft** (6-K, September 8, 2025): dedicated GPU capacity in tranches from Vineland, NJ, five-year term, deploying 2025-2026. About \$17.4B through 2031, explicitly "subject to the satisfaction of the deployment and availability" of the capacity, with an option to ~\$19.4B. Per-tranche termination if Nebius misses delivery dates past a grace period; termination for material breach (60-day cure); SLAs and liquidated damages for late delivery; obligations commence once Nebius confirms capex financing. The filing never says "take-or-pay."

**Meta** (6-K, March 16, 2026): five-year orders totaling up to ~\$27B. \$12B of dedicated GPU cluster orders from early 2027 (one of the first large-scale NVIDIA Vera Rubin deployments); up to \$15B of "unsold capacity" where Meta must buy whatever Nebius cannot sell to third parties, five years from each deployment. A backstop obligation, not a pure option and not firm take-or-pay.

About \$40B of committed backlog "we can borrow against" (CFO, Q2 2026 call); ~36% of a \$37.5B backlog expected as revenue over the 24 months ending June 2028 (~\$13.5B). No renewal terms beyond 2031 disclosed; whether the \$15B Meta backstop sits inside the \$40B is not disclosed. Two customers are the large majority of the backlog.

## Competition

| Rival            | Position                                                                                                                                                                                                                |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CoreWeave (CRWV) | The larger, leveraged rival: Q2 revenue \$2.58B (+112%), backlog \$104B, but \$35B+ debt, \$626M quarterly loss, ~\$48B market cap trailing Nebius despite 5x revenue. The market votes for funding quality over scale. |

| Rival                                  | Position                                                                                                                                                                                                                                                                                                             |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Hyperscalers</b>                    | Biggest customers and existential risk. Bull evidence: they cannot build fast enough and rent instead (Microsoft \$17.4B). Bear articulation (Chanos): neoclouds are debt-fueled intermediaries. Counter (William Blair): hyperscaler contracts convert sub-investment-grade credit into investment-grade financing. |
| <b>Lambda / Crusoe / Nscale / IREN</b> | Lambda undercuts on B200 (\$6.69/hr vs \$8.50) with a \$35B Anthropic deal; Crusoe holds 4.9 GW contracted; Nscale signed \$45B with Anthropic. All compete for the same power and GPU allocation; none match the backlog-plus-funding combination.                                                                  |

Nebius wins on funding model, owned infrastructure, pricing power, and growth rate; it loses structurally on GPU allocation dependence (NVIDIA 9.3% owner, the spigot), balance-sheet depth vs hyperscalers, customer concentration, and no proprietary silicon or end-customer franchise.

## Leadership and capital allocation

Arkady Volozh co-founded Yandex in 1997 (~\$30B peak, ~\$9B annual earnings in 2023), executed the \$5.4B Russia divestiture (July 2024), and rebuilt the remnant into a neocloud in under two years. The bench: CFO Dado Alonso, COO Nave Ophir, CTO Danila Shtan, infra chief Andrey Korolenko, all Yandex infrastructure veterans.

Allocation since the split: prepayments covering 50-60% of capex; asset-backed facilities against contracted cash flows; \$5.75B converts at a ~\$313 premium; the \$2.8B ATM at ~\$224 near the highs; tuck-ins (Eigen AI, Tavily, ClarifAI, Inferize) aimed at utilization, not empire. The criticism: the share count keeps rising and every layer adds claims ahead of equity. Early-October 2026 insider sales (Ophir \$113.38M via 10b5-1) are optically unhelpful against 21% short interest.

## Technology in brief

Fleet: H100 backbone, H200, B200, B300, GB200-class, Vera Rubin NVL72 in validation (August 2026). No disclosed GPU count; megawatts are the proxy: 170 MW end-2025, 800 MW-1 GW targeted end-2026, 5 GW contracted target, 1 GW-plus of 2027 new build. Footprint: Mantsala, Finland (75 MW); Kansas City (5 MW, expandable to 40 MW); Vineland, NJ (Microsoft); Pennsylvania AI factory campus (up to 1.2 GW); Paris colocation; UK, Israel, Middle East. Above 75% owned.

Software: Nebius AI Cloud ("Aether" 3.0, Q3 2025) with managed Kubernetes/Slurm, custom racks, InfiniBand to 3.2 Tbit/s; Token Factory inference (60+ models, workloads 3x in Q2 2026); acquired optimization stack for cold starts and idle capacity. Thesis: raw rental commoditizes; a full stack converting weights to production inference at lower cost per token retains customers and lifts utilization.

## Risks

1. **Customer concentration:** Microsoft and Meta dominate the \$40B+ backlog; retrenchment or a Vineland failure hits revenue and funding at once.
2. **GPU cycle risk:** if AI compute demand disappoints, the \$20-25B capex program becomes stranded fixed cost.
3. **Funding intensity:** 6-8x revenue capex needs prepayments, debt, and equity markets open simultaneously.
4. **Dilution:** 12.3M ATM shares remain; converts convert near \$313.
5. **Contract conditionality:** neither landmark deal is unconditional; the backlog is contracted optionality, not guaranteed cash.
6. **NVIDIA dependence:** 9.3% owner and the allocation spigot.
7. **Execution:** Vineland, 5 GW contracted, 1 GW-plus of 2027 build must deliver on schedule.
8. **Geopolitical perception:** legally severed from Russia since July 2024; the Yandex lineage still screens out some mandates.
9. **Valuation:** ~21.5x 2026 EV/Sales leaves no room for a stumble; September 2026 delivered a 30% drawdown on exactly this fear.

## Valuation: three lenses

**Lens 1, relative:** ~21.5x 2026 and ~7.3x 2027 EV/Sales on TIKR consensus (\$3.29B, \$9.73B). CoreWeave near 6x forward sales with \$35B+ debt and a fifth of the growth; the Nebius premium pays for growth and funding quality. Hyperscalers 6-9x with far lower growth.

**Lens 2, compression math:** BNP Paribas (Outperform, \$399 PT, September 24, 2026) sees ~\$22B ARR exiting 2027. If that converts, the 2027 multiple compresses hard: you buy 2027-2028 revenue at a single-digit multiple while the market prices 2026. Symmetric risk: if the ARR does not convert, 21.5x has a long way down.

**Lens 3, scenarios (DalalBytes estimates):** Bear \$120 (-52%): AI capex air pocket, FY2029 revenue ~\$12B at distressed 4x EV/Sales with heavier dilution. Base \$460 (+84%): FY2029 revenue ~\$22B (extends TIKR \$15.23B 2028 at ~45%), 7x EV/Sales, ~315M shares after ATM, converts, and SBC; 2027 capacity converts at guided margins with prepayments intact. Bull \$800 (+220%): \$22B ARR exiting 2027 converts, 5 GW delivers, FY2029 revenue ~\$30B at sustained 10x scarcity multiple, inference lifts margins and the moat upgrades.

The growth rate and the multiple are the story translated into numbers: mid-40s revenue growth into 2029 at a high-single-digit multiple is the base because the backlog and pricing power support it; the wide spread reflects a genuinely binary funding model.

## What would change the verdict

To the upside: 2027 capacity converting at guided margins with prepayment coverage intact; a third landmark customer diversifying concentration; Token Factory lifting utilization enough to upgrade the moat; true FCF turning positive. Any two move the score toward the mid-70s.

To the downside: a dilutive raise below \$200; a Microsoft or Meta retrenchment or delivery failure; backlog conversion stalling; GPU rental price deflation; 2027 capex rising without contracted revenue. Any one puts the funding watch on negative.

## Sources

Nebius Group Forms 6-K: Q3 2025 (Nov 12, 2025), Q4 2025 (Feb 12, 2026), Q1 2026 (May 20, 2026), Q2 2026 (Aug 12, 2026) exhibits; Microsoft commercial agreement 6-K (Sept 8, 2025); Meta Infrastructure Service Agreement 6-K (Mar 16, 2026).

Q2 2026 earnings call transcript (Aug 12, 2026); NVIDIA Schedule 13G (Jul 20, 2026); SEC Form 4 filings (Oct 2026).

TIKR consensus; BNP Paribas (Sept 24, 2026); William Blair (Sept 30, 2026); Motley Fool; SiliconANGLE; Reuters; Zacks; tradingview.com; stockanalysis.com; finnhub.io.

Market data as of October 6-7, 2026. All targets and scores are DalalBytes research estimates.

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