

DALALBYTES RESEARCH

TeraWulf

Five-Pillar Analysis

NASDAQ: WULF | OCTOBER 15, 2026

Companion to the TeraWulf investment report (66/100, Selective Positive). The pillars grade the business as it stands today: one pass, two partials, two fails, the weakest pillar profile in this report pair. The verdict prices the contracts; the pillars price the present. The gap between them is the risk the reader is paid to carry.

Reference price \$11.54 (October 14, 2026 close). Fiscal 2029 targets: Bear \$6 / Base \$18 / Bull \$32.

>> THE SCORECARD

One pass, two partials, two fails

Pillar	Grade	One-line basis
1. Sunrise	PASS	Powered land is the binding constraint of the AI build-out; contracted-capacity demand is not the question
2. Leadership	PARTIAL	Elite deal origination (Google backstop, Anthropic direct) against comp, SBC, and insider-selling debits
3. Moat	PARTIAL	Scarce powered sites plus a copied financing structure; tenants and one intermediary hold the customer power
4. Iron Fortress	FAIL	\$5.7B of face debt and \$7.9B of liabilities against \$147M of book equity; needs open capital markets
5. Free Cash Flow	FAIL	Negative operating cash flow and adjusted EBITDA through the build-out; cash flows contracted, not current

This is construction finance, not cash burn in search of a product. The pillar still grades FAIL, because the cash does not exist yet.

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1 SUNRISE: PASS

Hyperscaler and AI-lab capex is running at a combined ~\$700B-plus annual pace (aggregated 2026 estimates), the binding constraint is energized capacity rather than chips or capital, and every credible forecast extends the shortage of powered, permitted, grid-connected sites for years. TeraWulf's platform (~839 MW contracted, ~2.8 GW including pipeline) sits directly in that shortage, validated by the two strongest demand signals available: a Google credit backstop and a direct Anthropic lease. Even the legacy stub benefits, earning \$14.1M of demand-response credits in Q1 2026. The sunrise is not the risk; everything else is. PASS.

2 LEADERSHIP: PARTIAL

The origination record is top of sector: Nautilus created and sold at a stated 3.4x; the Google recognition-agreement structure invented here (since copied by Cipher and Hut 8) turned a private intermediary's leases into financeable credit; a direct 20-year Anthropic lease within a year of the first HPC tenancy; ~\$8B of financings led by the CFO. The governance ledger is heavy: FY2025 pay of \$39.4M (CEO) and \$30.1M (CTO) with cash bonuses at 10-16x stated targets described as discretionary and not formulaic;

SBC of \$185.4M in H1 2026; persistent insider selling through 2026 with no open-market purchases by the top two; a ground lease bought from a CEO-owned entity (independently approved, fairness-opined, still related-party); and delivery mostly ahead (102 MW earning of ~839 MW contracted). First-rank deal-makers charging like owners of a finished business grade PARTIAL.

3 MOAT: PARTIAL

The moat is the portfolio and the paper. Powered, permitted sites cannot be manufactured quickly (Muskie's 1 GW waits on a 765 kV substation and a 2027 PSC decision; Cayuga's 400 MW is in litigation), incumbency compounds through financing (each delivered half de-risks the next raise), and the Google backstop is scarce credit enhancement that lowers the cost of capital below unassisted rivals. The limits are structural: a landlord whose two largest relationships are an intermediary (Fluidstack, ~43% of contracted MW) and one direct tenant (Anthropic, ~48%), end customers who can build or lease elsewhere (Anthropic is also Hut 8's partner), and a backstop structure that is now industry-standard rather than proprietary. Nothing compounds except site control. PARTIAL.

4 IRON FORTRESS: FAIL

At June 30, 2026: \$5.7B of face debt, total liabilities of \$7.90B, total equity of \$147.3M, an accumulated deficit of \$2.36B, and ~\$1.8B of warrant liabilities swinging the P&L; by hundreds of millions per quarter. Most of the ~\$3.0B of cash and restricted cash sits at project subsidiaries; parent unrestricted cash was ~\$300M in March 2026 before an equity raise rebuilt it. Mitigants are real (no maturity wall before 2030, project debt designed as non-recourse beyond a completion guarantee) and are why the company survives its grade, but the fortress test asks whether the balance sheet withstands closed capital markets, and this one explicitly requires them to stay open through a further ~\$3.5B raise. FAIL, with the exit clearly marked: delivered, rent-paying MW converting project debt into asset coverage.

5 FREE CASH FLOW: FAIL

Operating cash flow of -\$123.2M in fiscal 2025; adjusted EBITDA of -\$23.1M (FY2025) and -\$22.4M (H1 2026); quarterly capex of ~\$0.86B against \$44.8M of revenue; interest expense of \$56.4M in Q2 2026. The contracted future is rich (~839 MW implying \$1.4-1.9B of revenue at 70-85% NOI margins at stabilization) but the pillar grades cash that exists, and the model consumes cash for at least two more years. The upgrade path is the fastest in the library: each delivered 100 MW adds roughly \$160M of annualized rent at ~85% site margin, and two consecutive quarters of positive operating cash flow would force a re-grade.

>> WHAT WOULD CHANGE THE GRADES

Iron Fortress upgrades to PARTIAL when delivered MW covers consolidated interest from operating cash flow. Free Cash Flow upgrades on two consecutive quarters of positive operating cash flow. Leadership

upgrades if insider selling stops and compensation normalizes as deliveries land; it downgrades on another related-party transaction. Moat upgrades if Muskie signs a direct hyperscaler-grade tenant and Anthropic's credit support is confirmed investment-grade. Overall: the weakest pillar profile in this pair, deliberately paired with a Selective Positive verdict. The pillars say the business is not yet safe; the valuation says the contracts are not yet priced.

Sources: SEC filings (FY2025 10-K, Q1-Q2 2026 10-Qs, 2026 proxy, 8-Ks), company releases, Schedule 13G, analyst coverage, and the research base detailed in the companion investment report.