

Nebius Group (NBIS)

Entry Price: \$40.13

*Position sizing: 15% of AUM***EXECUTIVE SUMMARY**

Nebius Group is one of the fastest growing AI infrastructure companies globally. Following the separation of its Russian assets, management has repositioned the company as a pure play AI cloud provider focused on renting high-performance NVIDIA GPU compute to enterprises, AI labs, and developers.

The company sits at the center of one of the strongest secular trends in technology: the growing demand for AI compute.

Q1 2025 results demonstrated extraordinary growth:

Metric	Q1 2025
Revenue	~\$55M
Core AI Infrastructure ARR	~\$249M
April ARR	~\$310M
Cash Balance	~\$1.44B
Planned 2025 Capex	~\$2B

The market continues to focus on current losses and capital expenditures while underappreciating the value of Nebius' future infrastructure footprint. At approximately \$40 per share, investors are effectively being asked whether management can successfully convert deployed capital into ARR growth.

I believe the answer is yes. **I recommend a LONG position with a 12-month target price of \$ 62/share (+55%).**

INVESTMENT THESIS**1. ARR Growth Suggests Demand is Not the Constraint**

The most important metric for Nebius is not earnings. It is ARR.

Core AI infrastructure ARR increased from approximately \$32M in Q1 2024 to approximately \$249M in Q1 2025. By April 2025, ARR had already reached approximately \$310M.

The challenge facing management is not finding customers. The challenge is deploying infrastructure quickly enough to satisfy demand. This distinction matters because businesses constrained by capacity rather than customer acquisition often possess significantly greater operating leverage.

If Nebius successfully deploys planned infrastructure throughout 2025, ARR growth could continue accelerating.

2. Management's Exit ARR Guidance Appears Achievable

The company's most important guidance metric is its 2025 exit ARR target of \$750-\$1B. This is not an aggressive target. The trajectory of ARR growth suggests it is not unreasonable.

Period	ARR
Q1 2024	~\$32M
Q1 2025	~\$249M
April 2025	~\$310M

Management is simultaneously:

- Expanding data center capacity
- Deploying additional NVIDIA GPUs
- Increasing planned capital expenditures
- Adding enterprise customers

The market appears to be discounting management's guidance heavily. If Nebius delivers ARR closer to the upper end of guidance, substantial valuation upside remains.

3. The Market is Underestimating Future Earnings Power

The primary bear argument centers around

- Operating losses
- Cash burn

- Heavy capex

While these concerns are legitimate, they may obscure the economics of the underlying business. Nebius is intentionally sacrificing current profitability to build infrastructure capacity.

This resembles:

- Early AWS
- Early Coreweave
- Data center operators during expansion phases

Infrastructure businesses are often valued on future capacity rather than current earnings. The market may be evaluating Nebius based on present financial statements instead of future cash generating potential. If management successfully deploys its planned infrastructure base, today's valuation may prove conservative.

RISKS

1. Exit ARR guidance Miss

The investment thesis depends heavily on management's ability to approach the \$750M-\$1B exit ARR target. Failure to achieve this target would likely result in multiple compression.

2. Capital Intensity

Nebius plans approximately \$2B of capex during 2025. Execution is crucial.

3. Competition

Major

competitors include:

- CoreWeave
- Microsoft Azure
- Amazon AWS
- Google Cloud
- Oracle Cloud

4. AI Spending Slowdown

The investment thesis assumes continued growth in enterprise AI spending. A slowdown would negatively impact utilization rates.

VALUATION

The primary metric is EV/Forward Exit ARR

1) Revenue Understates earning power

Like Coreweave and other Neocloud providers, NBIS is in the middle of an

infrastructure ramp. Current revenue reflects partially deployed infrastructure. Exit ARR reflects the earning power of infrastructure already being built.

2) Earnings are intentionally distorted

Management is spending aggressively to deploy:

- GPUs
- Networking
- Data-center capacity

3) ARR is how investors value NeoClouds

Current earnings is not an accurate reflection upon the potential of these companies.

A PEER COMPARISON (MAY 2025)

Company	EV	Exit ARR	EV / Exit ARR
CoreWeave	~\$95B	~\$18.5B	~5.1x
IREN	~\$21B	~\$3.7B	~5.7x
Nebius	~\$8.8B	\$750M-\$1B	8.8x-11.7x

NBIS is not cheap on ARR multiples. The thesis is not that NBIS is cheaper than peers, but NBIS deserves a premium because it is growing much faster than its peers.

Scenario	Price	Return vs \$40.13
Bear	\$21	-48%
Base	\$32	-20%
Target	\$45	+12%
Bull	\$62	+55%