

# Northern Data Group

## Strategic alliance with Gcore

Northern Data has announced a new strategic partnership with Gcore, a leading provider of edge AI, cloud, network and security solutions. We see this as an important initiative, consistent with management's long-term aim to establish the company as a leading provider of HPC data centres and AI services. We also note the recent publication of the full audited figures and Report and Accounts on 28 March, confirming all preliminary figures (released 21 January).

Year end	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (€)	EV/EBITDA (x)	P/E (x)
12/23	77.5	(12.3)	(137.6)	(4.75)	N/A	N/A
12/24	200.3	95.1	(85.7)	(1.49)	20.7	N/A
12/25e	526.1	270.4	10.4	0.11	7.3	N/A
12/26e	613.4	325.4	35.9	0.38	6.0	60.9

Note: EBITDA, PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments

## Gcore strategic alliance

Northern Data has entered into a strategic alliance with Gcore in which Northern Data's existing GPU infrastructure will be used with Gcore's Everywhere Inference platform to create the Intelligence Delivery Network (IDN). The alliance creates a leading platform to deliver AI workloads at the edge, an important part of the AI industry value chain that handles the high workloads involved in AI inferencing.

Efficient 'inferencing' is critical in allowing AI models to be trained so that they are then capable of ingesting new data and make valid new AI generated content. The market for AI inferencing is expected to rise to \$169bn by 2032, according to Bloomberg Intelligence.

Through this alliance Northern Data positions itself as a leading platform provider in this important part of the AI value chain. The alliance helps to secure capacity utilisation for Northern Data's infrastructure platform as the investment in new HPC capacity continues – see below. Additionally, Gcore's software solutions are expected to create a more efficient use of Northern Data's own HPC infrastructure.

## 2024 report and accounts

Post preliminary figures on 21 January, fully audited figures were released with the 2024 Report and Accounts on 28 March. All key headline numbers are confirmed, showing the momentum through 2024 as the business pivots towards a pure HPC cloud and data centre business model, moving away from Bitcoin mining services.

## Valuation and changes to estimates

We have updated our forecasts to reflect the solid operating performance in 2024, with cash flow and balance sheet forecasts now also incorporating recent capital expenditure commitments. Assessing the valuation based on near-term profitability measures clearly has its challenges, with current and near-term profitability at suppressed levels. Beyond the current forecast period, we expect operational leverage to drive a substantial increase in both profitability and cash generation.

Announcement of new commercial alliance

Tech hardware and equipment

4 April 2025

**Price** €23.20

**Market cap** €1,489m

Net cash/(debt) at 31 December 2024 €(477.0)m

Shares in issue 64.2m

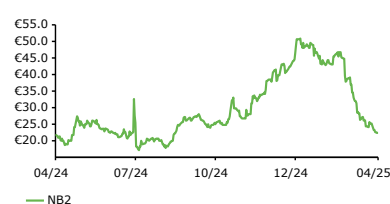
Free float 48.9%

Code NB2

Primary exchange FSE

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (41.3) (54.2) (11.5)

52-week high/low €50.8 €16.7

### Business description

Northern Data Group is a German-listed company, operating highly energy-efficient data centres across Europe and the US.

### Next events

Q125 results Late April

### Analysts

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## Outlook commentary

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The 2024 Report and Accounts include a statement on the expected development of the group, reiterating prior guidance for FY25 of revenues in the range of €520–570m and company adjusted EBITDA of €300–350m. The timing of the sale of Peak Mining could affect this outlook. We note that on the preliminary results call on 21 January, management said that it expected operating cash flow to be positive in 2025, which in line with our estimates.

## Forecasts

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Net debt at the end of 2024 was €477m (€571m including lease obligations) compared to net cash of €71m at end 2023. This largely reflects the substantial investments last year (€981m of capex), partially offset by the €497m proceeds from equity financing. There was a modest operating cash outflow for FY24 although we note a small positive cash inflow was achieved in the final quarter.

We have updated our forecasts. The changes reflect the full year performance of the business over 2024 but are additionally updated to include the recently announced investment commitments, such as the data centre in Maysville, Georgia. This facility, expected to expand to capacity of 120MW in the near term and up to 180MW in the longer term, will require an estimated capital investment of \$10–15m/MW or a total of over \$1bn.

Most significant therefore are the changes to the forecast cash flows and evolution of the balance sheet. With higher levels of capital expenditure over the forecast period and excluding the proceeds from the sale of Peak Mining, our forecasts show a further increase in net debt.

As and when the eventual sale of Peak Mining is confirmed, this will of course result in a marked reduction to net debt levels. This will be important news, expected to be accompanied by a strategic update from management.

## Valuation

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Having decided to focus on the high-performance computing (HPC) data centre and cloud computing market opportunity, the business remains in transition, although the transition appears to be going well and is starting to deliver good operational results. Clearly the process will substantially move forward with the sale of the Peak Mining.

Given the transition process, assessing the company's valuation based on near-term profitability measures has its challenges, with current and near-term profitability at suppressed levels. However, we would note that the current HPC data centre and cloud computing capacity announced and committed to by Northern Data has the potential drive annual revenues in a range of \$1.0–1.2bn. Beyond the current forecast period, we expect operational leverage to drive a substantial increase in both profitability and cash generation.

**Exhibit 1: Financial summary**

Year end 31 December	€m	2022	2023	2024	2025e	2026e	2027e
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>							
Revenue		193.3	77.5	200.3	526.1	613.4	772.2
Other income		56.2	33.5	66.8	0.0	0.0	0.0
Total output		249.5	111.0	267.0	526.1	613.4	772.2
Cost of Sales		(98.9)	(41.4)	(44.8)	(121.0)	(141.1)	(177.6)
Gross Profit		94.4	36.1	155.5	405.1	472.3	594.6
EBITDA		(41.3)	(12.3)	95.1	270.4	325.4	421.6
Reported EBITDA		(58.1)	(28.2)	71.4	245.4	295.4	386.6
Operating profit (before amort. and excepts.)		(248.5)	(137.2)	(60.7)	50.4	75.4	136.6
Share-based payments		(16.8)	(16.0)	(23.8)	(25.0)	(30.0)	(35.0)
Reported operating profit		(265.4)	(153.2)	(84.5)	25.4	45.4	101.6
Net Interest		(3.1)	(0.4)	(25.0)	(40.0)	(39.5)	(42.0)
Profit Before Tax (norm)		(251.6)	(137.6)	(85.7)	10.4	35.9	94.6
Profit Before Tax (reported)		(268.4)	(153.5)	(109.5)	(14.6)	5.9	59.6
Reported tax		2.6	2.5	(18.0)	4.7	(1.9)	(19.0)
Profit After Tax (norm)		(251.6)	(137.6)	(85.7)	7.1	24.4	64.5
Profit After Tax (reported)		(265.8)	(151.1)	(127.4)	(9.9)	4.0	40.6
Net income (normalised)		(251.6)	(137.6)	(85.7)	7.1	24.4	64.5
Net income (reported)		(265.8)	(151.1)	(127.4)	(9.9)	4.0	40.6
<b>BALANCE SHEET</b>							
Average Number of Shares Outstanding (m)		23.8	28.9	57.7	64.2	64.2	64.2
EPS - basic normalised (€)		(10.56)	(4.75)	(1.49)	0.11	0.38	1.00
EPS - normalised fully diluted (€)		(10.56)	(4.75)	(1.49)	0.11	0.38	1.00
EPS - basic reported (€)		(11.16)	(5.22)	(2.21)	(0.15)	0.06	0.63
Dividend (€)		0.00	0.00	0.00	0.00	0.00	0.00
Fixed Assets		323.5	365.3	1,371.1	1,499.7	1,619.6	1,704.7
Intangible Assets		15.1	17.2	36.7	31.3	42.3	56.4
Tangible Assets		292.9	333.2	1,302.1	1,436.1	1,545.0	1,616.0
Investments & other		15.5	15.0	32.3	32.3	32.3	32.3
Current Assets		127.1	651.4	287.5	397.1	392.9	393.7
Stocks		7.2	56.5	0.5	20.0	22.0	24.0
Debtors		2.9	8.6	55.7	109.7	127.9	161.0
Cash & cash equivalents		39.9	243.0	120.3	120.0	120.0	120.0
Other		77.1	343.2	111.1	147.4	123.0	88.6
Current Liabilities		81.1	122.6	107.1	124.8	137.3	159.4
Creditors		35.8	62.5	39.0	70.0	81.6	102.8
Tax and social security		28.0	20.1	14.7	14.7	14.7	14.7
Short-term borrowings		0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities		2.8	2.1	22.7	9.4	10.3	11.3
Other		14.5	38.0	30.7	30.7	30.7	30.7
Long-Term Liabilities		10.1	178.1	712.3	989.2	1,122.9	1,174.6
Long-term borrowings		0.0	171.9	597.0	873.8	1,007.5	1,059.3
Lease liabilities		7.9	5.2	94.0	94.0	94.0	94.0
Other long-term liabilities		2.2	1.1	21.4	21.4	21.4	21.4
Net Assets		359.4	716.0	839.2	782.8	752.3	764.3
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		359.4	716.0	839.2	782.8	752.3	764.3
<b>CASH FLOW</b>							
Operating Cash Flow		(58.5)	(26.1)	28.4	210.1	254.0	325.6
Working capital		27.2	(18.6)	(62.5)	(40.0)	(50.0)	(60.0)
Exceptional & other		42.1	34.3	(25.4)	65.0	69.5	77.0
Tax		(9.8)	(7.2)	1.0	(4.7)	1.9	19.0
Net operating cash flow		1.0	(17.6)	(58.5)	230.4	275.4	361.6
Capex		(94.1)	(85.5)	(981.3)	(459.0)	(358.0)	(355.0)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0	0.0
Net interest		(3.1)	(0.2)	0.1	(40.0)	(39.5)	(42.0)
Equity financing		0.0	133.1	497.4	0.0	0.0	0.0
Borrowings		0.0	175.4	399.6	0.0	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0
Other		(80.9)	(2.4)	19.5	(8.6)	(11.5)	(16.4)
Net Cash Flow		(177.2)	202.8	(123.1)	(277.1)	(133.7)	(51.8)
Opening net debt/(cash)		(144.7)	(39.9)	(71.1)	476.7	753.8	887.5
FX		(4.5)	0.3	0.4	0.0	0.0	0.0
Other non-cash movements		76.9	(171.9)	(425.1)	0.0	0.0	0.0
Closing net debt/(cash)		(39.9)	(71.1)	476.7	753.8	887.5	939.3

Source: Company data, Edison Investment Research

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