

Northern Data Group

Technology upgrades and resetting expectations

Northern Data has revised its targets for the current year, reflecting technology investments and changes in market conditions. While the investments will clearly have longer-term benefits, the reality is a setback for current-year expectations and turns 2025 into another year of transition. The company should remain of interest to investors wanting exposure to the longer-term growth in high performance computing (HPC) infrastructure fuelled by AI services.

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)	21.9	N/A
12/25e	275.0	101.3	(158.8)	(2.47)	20.6	N/A
12/26e	495.0	239.0	(50.5)	(0.79)	8.7	N/A

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

Guidance

Post the issuance of an ad hoc release, Northern Data's guidance for the current year is now €240–320m of revenues, with Taiga Cloud revenues expected to be €150–210m. This compares with guidance reiterated at the time of the FY24 results of €520–570m. FY25 adjusted EBITDA guidance is €80–130m, down from €300–350m. The new guidance reflects the combined impact of phasing the technology upgrades, delays in onboarding new business and price deflation.

Management's revised revenue guidance now specifically relates to expectations from the existing graphics processing units infrastructure capacity and does not include expectations from additional capacity expansion. Northern Data's press release also stated that plans for capacity expansion will progress, such as at Maysville, Georgia, US. We believe the guidance should be seen as minimum expectations for 2025.

The ad hoc release notes that Taiga Cloud's annual recurring revenue at year-end is expected to be €300–350m. This figure should be regarded as a base level of revenues and should improve as new customers are added in line with ongoing capacity expansion plans. Until its sale has been agreed, our forecasts also include the revenues and profit contribution from Peak Mining.

Valuation: Post earnings revisions

After a solid performance in 2024, in which a number of operating milestones were achieved in both the business transition and strengthening of the management team, it is disappointing to have to make marked forecast revisions. Our revised estimates for 2025 are in line with the new guidance.

Assessing the valuation based on near-term valuation profitability measures has its challenges given the suppressed profitability over the forecast period. The current and proposed HPC capacity will position the company to generate future annual revenues of over €1bn and, beyond the current forecast period, we expect the operational leverage to yield substantial improvement in profitability and cash generation.

Company revision to guidance

Tech hardware and equipment

1 May 2025

Price €24.68

Market cap €1,606m

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

December 2024

Shares in issue 64.2m

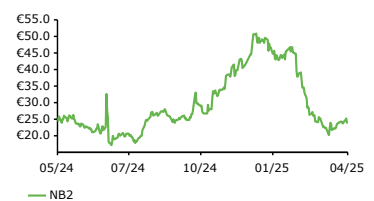
Free float 48.9%

Code NB2

Primary exchange FSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	0.9	(47.7)	20.0
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

AGM	21 May 2025
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Upgrades to the technology platform

Northern Data has announced a technology and infrastructure platform upgrade together with a revised guidance framework. The technology upgrade builds on the substantial investments made over the last two years and will ensure that capacity is more aligned to the market demand, with both reserved capacity and on-demand capacity services available to clients. As the market for AI training and inferencing develops, there is increasing demand from customers to purchase on an on-demand basis. This is notably the case for high-volume 'inferencing' services and increasingly so for smaller providers reluctant to make the longer-term financial commitment for reserved capacity.

Current market conditions make this a logical investment for the company. Pricing for HPC services is currently experiencing deflationary pressures, with pricing estimated to be down c 10–15% y-o-y for reserved capacity services. Customers currently pay a marked premium for on-demand services (estimated at 50–100%) given the purchasing flexibility. Moreover, for Northern Data, a healthy balance of on-demand capacity will allow the company to achieve better capacity utilisation rates while continuing to serve customers that require segregated and reserved HPC services.

Overall, the technology upgrade will improve Northern Data's ability serve existing customers and increase the ability to add new customers of all sizes as demand for AI inferencing services increases.

Cash flow, balance sheet and the sale of Peak Mining

The company ended 2024 with net debt of €477m (€571m including lease commitments), reflecting a year of heavy investment. The net debt represents a full drawdown on the agreed term loan facility of €575m, offset by a small amount of gross cash. For the current year, our previous forecast had projected operating cash flow of €230m but, on revised profit expectations, this now reduces to just €51m. As a result, assuming Northern Data continues to invest in new capacity, year-end net debt will rise to just over €0.9bn excluding the proceeds from the disposal of Peak Mining.

The sale of Peak Mining, which management has been exploring for just over six months, was expected to generate proceeds in of €400–500m. Recent market conditions may have affected purchaser appetite and valuation somewhat, but the proceeds over the coming months should materially improve the balance sheet and reduce the need for management to explore alternative financing options, such as data centre financing.

Summary of forecast revisions

The table below summarises the changes to our estimates.

Exhibit 1: Forecast revisions

€m	FY25 Old	FY25 New	FY26 Old	FY26 New
Revenues	526.1	275.0	613.4	495.0
Adjusted EBITDA	270.4	101.3	325.4	239.0
Normalised PBT	10.4	(158.8)	35.9	(50.5)
Year-end debt	753.8	928.0	887.5	1,155.7

Source: Edison Investment Research

Exhibit 2: Financial summary

€m	2022	2023	2024	2025e	2026e	2027e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue	193.3	77.5	200.3	275.0	495.0	595.0
Other income	56.2	33.5	66.8	0.0	0.0	0.0
Total output	249.5	111.0	267.0	275.0	495.0	595.0
Cost of Sales	(98.9)	(41.4)	(44.8)	(63.3)	(113.9)	(136.9)
Gross Profit	94.4	36.1	155.5	211.8	381.2	458.2
EBITDA	(41.3)	(12.3)	95.1	101.3	239.0	302.0
Reported EBITDA	(58.1)	(28.2)	71.4	76.3	209.0	267.0
Operating profit (before amort. and excepts.)	(248.5)	(137.2)	(60.7)	(118.8)	(11.0)	17.0
Share-based payments	(16.8)	(16.0)	(23.8)	(25.0)	(30.0)	(35.0)
Reported operating profit	(265.4)	(153.2)	(84.5)	(143.8)	(41.0)	(18.1)
Net Interest	(3.1)	(0.4)	(25.0)	(40.0)	(39.5)	(42.0)
Profit Before Tax (norm)	(251.6)	(137.6)	(85.7)	(158.8)	(50.5)	(25.1)
Profit Before Tax (reported)	(268.4)	(153.5)	(109.5)	(183.8)	(80.5)	(60.1)
Reported tax	2.6	2.5	(18.0)	58.6	25.7	19.2
Profit After Tax (norm)	(251.6)	(137.6)	(85.7)	(158.8)	(50.5)	(25.1)
Profit After Tax (reported)	(265.8)	(151.1)	(127.4)	(125.1)	(54.8)	(40.9)
Net income (normalised)	(251.6)	(137.6)	(85.7)	(158.8)	(50.5)	(25.1)
Net income (reported)	(265.8)	(151.1)	(127.4)	(125.1)	(54.8)	(40.9)
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)	(2.47)	(0.79)	(0.39)
EPS - normalised fully diluted (€)	(10.56)	(4.75)	(1.49)	(2.47)	(0.79)	(0.39)
EPS - basic reported (€)	(11.16)	(5.22)	(2.21)	(1.95)	(0.85)	(0.64)
Dividend (€)	0.00	0.00	0.00	0.00	0.00	0.00
BALANCE SHEET						
Fixed Assets	323.5	365.3	1,371.1	1,494.7	1,612.2	1,693.7
Intangible Assets	15.1	17.2	36.7	26.3	34.9	45.4
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	381.5	482.8	568.8
Stocks	7.2	56.5	0.5	20.0	22.0	24.0
Debtors	2.9	8.6	55.7	70.0	126.0	151.5
Cash & cash equivalents	39.9	243.0	120.3	60.0	70.0	80.0
Other	77.1	343.2	111.1	231.5	264.8	313.3
Current Liabilities	81.1	122.6	107.1	71.8	106.7	125.3
Creditors	35.8	62.5	39.0	40.0	72.0	86.5
Tax and social security	28.0	20.1	14.7	10.0	12.0	15.0
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	12.4	12.4	12.4
Long-Term Liabilities	10.1	178.1	712.3	1,095.8	1,334.5	1,524.4
Long-term borrowings	0.0	171.9	597.0	988.0	1,225.7	1,413.6
Lease liabilities	7.9	5.2	94.0	94.0	94.0	94.0
Other long-term liabilities	2.2	1.1	21.4	13.8	14.8	16.8
Net Assets	359.4	716.0	839.2	708.6	653.8	612.9
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	359.4	716.0	839.2	708.6	653.8	612.9
CASH FLOW						
Operating Cash Flow	(58.5)	(26.1)	28.4	94.9	195.2	244.1
Working capital	27.2	(18.6)	(62.5)	(50.0)	(60.0)	(70.0)
Exceptional & other	42.1	34.3	(25.4)	65.0	69.5	77.0
Tax	(9.8)	(7.2)	1.0	(58.6)	(25.7)	(19.2)
Net operating cash flow	1.0	(17.6)	(58.5)	51.3	179.0	232.0
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	(3.5)	(9.2)	(12.9)
Net Cash Flow	(77.2)	202.8	(123.1)	(451.3)	(227.7)	(177.9)
Opening net debt/(cash)	(144.7)	(39.9)	(71.1)	476.7	928.0	1,155.7
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	928.0	1,155.7	1,333.6

Source: Company data, Edison Investment Research

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