

## Northern Data Group

### Completion of major milestone

Northern Data Group has received regulatory approval for its acquisition of Damoon, delivering on a key milestone. As part of the transaction, Northern Data has received more than 10,000 NVIDIA H100 Server Module Tensor Core graphic processing units (GPUs) bringing its total inventory to over 18,000 H100 GPUs and cementing its position as Europe's largest artificial intelligence (AI) hardware cluster. This expansion bolsters the generative AI capabilities of its Taiga Cloud division, which aims to democratise access to AI compute power, driving innovation among startups, researchers and medium-sized enterprises. Amidst Europe's increasingly stringent environmental and data protection regulations, Northern Data looks well placed to capture market share.

As detailed in our [initiation](#), Tether originally acquired Damoon and then supplied Northern Data with the H100 GPUs owned by Damoon in return for a 20% stake in Northern Data (deal value €400m), making Tether, a leading blockchain player, a cornerstone investor. We believe the investment further validates Northern Data's generative AI market proposition.

Deployment of the H100s started in December 2023 and is set to finish by mid-2024, enabling Taiga Cloud to scale operations to capture underserved demand for AI compute power in Europe. At the time of our initiation, Taiga had four immediate contracts in its pipeline to deploy more than 6,000 H100 GPUs, potentially equating to over €105m in annual revenue assuming €2 per hour and full utilisation.

On 4 December, Northern Data announced a €110m investment strategy for Ardent Data Centers to expand its portfolio of state-of-the-art, liquid-cooled data centres. This will ensure Taiga has the infrastructure to deploy the expected GPUs on schedule, a key milestone for the group to reach its FY24 guidance.

Reflecting confidence in the company's direction, Aroosh Thillainathan, founder and CEO, announced a substantial personal investment in Northern Data of up to €30m from January to May 2024 through a preset purchase plan agreement. His current holding is 2.8m shares worth c €69m, representing a c 6% stake. At the current share price, this could increase to over 8% following the purchase plan.

Northern Data expects to publish audited FY22 results in Q124, followed by FY23 results by end-H124. Management has stated that the evolution of the business from a cryptocurrency miner into a diversified provider of high performance computing infrastructure solutions over the last year has created challenges in publishing audited figures. Now with its business model established, the company is striving for transparency for FY23 and beyond, where we believe audited reporting could boost investor confidence. We plan to initiate forecasts following the publication of the group's FY22 results.

### Tech hardware and equipment

8 January 2024

Price €25

Market cap €1.2bn

#### Share price graph



#### Share details

Code	NB2
Listing	Frankfurt
Shares in issue	48.7m

#### Business description

Listed in Germany, Northern Data operates highly energy-efficient data centres across Europe and the US. It is pivoting from a pure-play cryptocurrency miner into a diversified provider of high-performance computing solutions. Its updated strategy was marked with the launch of three new divisions: Peak Mining, Ardent Data Centers and Taiga Cloud, with each targeting a different area of the value chain.

#### Bull

- Data centres with strong efficiency, power and sustainability credentials, which are well equipped to face tightening regulation within the European landscape.
- Large inventory of the latest NVIDIA GPUs, which are in short supply, positioning the group to take advantage of the fast-evolving AI space.
- Strong track record in bitcoin mining provides consistency alongside new strategy.

#### Bear

- Unproven in cloud computing space, creating execution risk without performance track record.
- Bitcoin price is highly volatile, creating cash flow lumpiness in the crypto mining division.
- Controversy, particularly around disclosures and reporting, creates uncertainty.

#### Analysts

Max Hayes	+44 (0)20 3077 5721
Katherine Thompson	+44 (0)20 3077 5730

[tech@edisongroup.com](mailto:tech@edisongroup.com)

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