Morgan Stanley | RESEARCH

FOUNDATION

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Nebius Group NV | North America

Watt's New With The Neoclouds? Insights from Nebius Inflection 2026

Nebius Inflection helped validate the company's broader AI Cloud thesis: real enterprise/startup demand beyond hyperscalers, a full software stack, and a path to higher revenue per MW/margins, with a thoughtful approach to delivering capacity to meet significant demand.

We would greatly appreciate your support in the Software SMID Cap and Software Large Cap categories in this year's All-America Extel survey.

How to vote: To request a ballot, please go to https://www.extelinsights.com/voting.

Nebius Inflection Clearly Demonstrated the Profiles and Use Cases of the Enterprise Customers and AI Startups, While Showcasing the Breadth of the Full AI Stack. The event showed real customer demand, supporting the broader enterprise and AI-native opportunity, and a clearer software-led AI Cloud strategy. Thus far the Nebius story has been about signing big deals to help financing/scale; the path ahead is delivering capacity to the broader set of Enterprise customers, helping to increase revenue per MW and margins, while turning its software AI Cloud stack into durable differentiation. The event provided better evidence that Nebius has real customer traction beyond hyperscalers and that the company is building toward a higher-value AI Cloud model rather than remaining primarily a bare metal capacity provider.

Key Takeaways

1. For any Bears/skeptics out there, the event should have validated Nebius as more than a GPU capacity broker. Nebius positioned itself between hyperscalers and neoclouds: more AI-native and responsive than legacy cloud providers, but more reliable and full-stack than smaller GPU specialists. The message was that production AI customers need more than raw chips — they need reliability, support, orchestration, inference performance, and cost optimization among other tools.

2. Customer examples were the most important incremental positive. Nebius cited a broader set of customers across AI labs, AI product companies, enterprises,

MORGAN STANLEY & CO. LLC

Josh Baer, CFA
Equity Analyst
Josh.Baer@morganstanley.com +1 212 761-4223

Ryan Lountzis
Research Associate
Ryan.Lountzis@morganstanley.com +1 212 761-3189

Nebius Group NV (NBIS.O, NBIS US)

Software | United States of America

Stock Rating	**Equal-weight**
Industry View	**Attractive**
Price target	**$144.00**
Shr price, close (Jun 9, 2026)	$220.12
Mkt cap, curr (mm)	$55,888
52-Week Range	$278.84-43.89

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS ($)**	(1.82)	(0.94)	(2.47)	(4.82)
Prior EPS ($)**	-	-	-	-
P/E	NM	NM	NM	NM
EPS ($)§	(1.29)	(2.44)	(1.67)	(0.89)
Div yld (%)	-	-	-	-

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	(0.36)	-	(0.40)a	-	0.16
Q2	(0.36)	-	(0.51)	-	(0.46)
Q3	(0.40)	-	(0.50)	-	(0.99)
Q4	(0.68)	-	0.45	-	(1.17)

e = Morgan Stanley Research estimates, a = Actual Company reported data and digital natives. Specific examples included Recraft improving training speed 6x, Brave delivering more than 16 million AI summaries per day, Shopify using Nebius for pre-training and fine-tuning, Mastercard using Nebius Agentic Search, and Higgsfield ranking Nebius as its top infrastructure partner. The breadth of references helps address a key investor debate: whether Nebius can sell capacity to a broader customer base as it scales, rather than relying primarily on hyperscaler-style deals.

3. The mix shift toward enterprises and AI-native customers should be margin accretive. Management reiterated that large hyperscaler deals help finance the broader AI Cloud buildout, but Nebius prefers to sell directly to end customers. Direct enterprise and AI-native AI Cloud consumption should carry better margin potential than large bare metal contracts, especially if more software, inference, routing, and agentic capabilities are attached.

4. Customer commentary reinforced strong demand, but also showed capacity is the gating factor. Shopify said GPU demand reached an inflection point where hyperscalers either lacked capacity or were too expensive, prompting it to evaluate alternatives. Rhoda emphasized reliability, low latency, support, and availability, but said getting more resources remains a challenge. Higgsfield said Nebius delivers strong inference performance, but that its demand has outgrown available supply. The demand > supply imbalance surfaced in many customer conversations.

5. The product roadmap is increasingly tied to production AI and agents. Nebius emphasized the stack needed to operate AI in production: accelerated compute, storage, orchestration, serverless AI, inference, routing, observability, live grounding, and agent tooling. The framing was that many companies can now build agents, but operating them reliably and economically is the harder problem. This supports Nebius' software-led thesis. If Nebius can attach more platform capabilities to its infrastructure, it has a clearer path to higher-value monetization and better customer stickiness.

Customer Insights

Customers value Nebius for performance, uptime, speed, access to engineering support, low latency, and willingness to move quickly. Shopify highlighted faster engineering access versus hyperscalers; Rhoda described Nebius as leaner while still offering useful orchestration, storage, and managed database capabilities; Higgsfield viewed Nebius as its top partner for inference performance.

The main pain points more broadly in the market remain capacity availability, pricing, cost control, model routing complexity, and operating AI systems reliably in production. These map directly to Nebius's product focus around inference, orchestration, routing, and agents.

Product and Platform Updates

The company highlighted a broader AI Cloud stack spanning NVIDIA GPU servers, networking, AI storage, accelerated compute, orchestration, serverless AI, enterprise platform/MLOps, inference, and agent tooling including Nebius Echo. The most relevant update is not any single product, but the direction of travel: Nebius is trying to move up the stack from infrastructure toward production AI workflows.

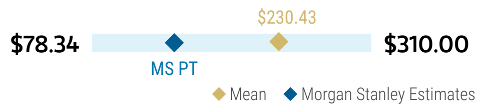
Risk Reward – Nebius Group NV (NBIS.O)

Differentiated Neocloud, Full Valuation

PRICE TARGET $144.00

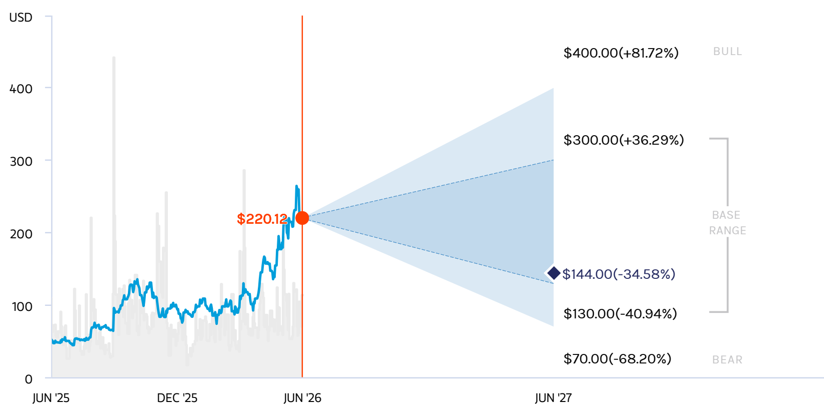
8x CY28 EBITDA $11.5B, using CYE 2028 net debt. 8x is a modest discount to the software average, though this is justified due to higher capital intensity.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



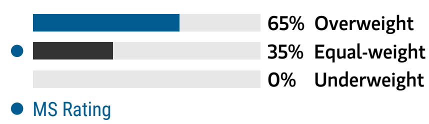
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

Nebius' vertically integrated AI Cloud has won strong external validation and key reference customers.
We expect robust demand trends and execution bringing capacity online to drive ~$13bn ARR exiting 2028. Nebius strategy is focused: vertically integrated stack, selective in choosing quality large customers, sell to broad customer base, profitability matters. Solid balance sheet and access to capital, plus equity stakes in strategic assets, complement Nebius' lower TCO, which could drive higher margins and FCF LT. However, NT targets appear aggressive given significant net new bookings required; profitability and track-record are still unproven.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE

$400.00

12x CY28 EBITDA of $13.9B

Nebius successfully brings online 5GW+ power by CY30, sells to broader customer base, benefits from higher margins due to lower TCO and better software monetization.

BASE CASE RANGE

$130.00 - $300.00

8.5x - 11x CY28 EBITDA $10.9B - $12.6B

Nebius continues making progress delivering capacity and selling that capacity to a broader customer base. Margins expand over-time as revenue ramps and workloads contribute steady-state margins

BEAR CASE

$70.00

7x CY28 EBITDA $10.4B

Economics suffer as demand and supply balance, competition from hyperscalers intensifies. Data center delivery proves harder than anticipated

Risk Reward – Nebius Group NV (NBIS.O)

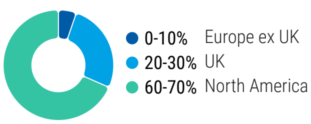
KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
Revenue ($, mm)	530	3,389	10,489	17,929
Operating Margin (%)	(96.8)	(1.9)	11.3	12.1
Adjusted EBITDA Margin (%)	(12.2)	40.0	59.1	64.0

INVESTMENT DRIVERS

- New contracted power, connected power and delivery of active power
- New customer contracts / bookings
- Software innovation - new products, attach of software stack increasing
- Operating leverage with scale driving margins and FCF higher

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

5/5 MOST | 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Further monetization of the full-stack (software)
- Addition/expansion of large customer contracts
- Evidence of GPU monetization beyond estimated four year useful life

RISKS TO DOWNSIDE

- AI demand environment normalizes / Large customers in-house AI compute in the future
- Competition and macro/regulatory dynamics pressure pricing/returns
- Difficulty in raising capital at an attractive/improving cost of debt

OWNERSHIP POSITIONING

Inst. Owners, % Active	71.7%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

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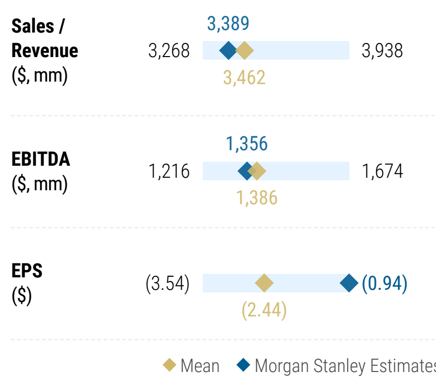
MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of May 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1542	42%	465	51%	30%	707	43%
Equal-weight/Hold	1571	43%	369	40%	23%	723	44%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Stock Price, Price Target and Rating History (See Rating Definitions)

Stock Rating History: 1/15/26 : E/A

Price Target History: 1/15/26 : 126; 5/13/26 : 144

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Software

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/09/2026)
Chris Quintero		
BILL Holdings Inc (BILL.N)	E (06/10/2025)	$34.09
Blackline Inc (BL.O)	O (09/29/2024)	$28.34
Descartes Systems Group Inc (DSGX.O)	O (01/15/2026)	$74.80
Intuit (INTU.O)	O (02/26/2025)	$293.78
Manhattan Associates Inc. (MANH.O)	E (10/21/2025)	$146.54
Navan Inc (NAVN.O)	O (11/24/2025)	$20.68
Samsara Inc (IOT.N)	E (03/23/2023)	$33.62
SPS Commerce Inc (SPSC.O)	E (11/11/2025)	$55.03
Vertex Inc. (VERX.O)	O (01/17/2024)	$12.73
Workday Inc (WDAY.O)	E (02/19/2025)	$140.23
Elizabeth Porter, CFA		
Adobe Inc. (ADBE.O)	E (09/24/2025)	$237.88
Amplitude Inc. (AMPL.O)	O (01/15/2026)	$6.96
Autodesk (ADSK.O)	O (08/23/2024)	$224.08
Figma Inc (FIG.N)	E (08/25/2025)	$20.49
Five9 Inc (FIVN.O)	E (10/10/2022)	$21.68
Freshworks Inc (FRSH.O)	E (10/18/2021)	$9.38
GoDaddy Inc (GDDY.N)	E (07/19/2021)	$81.57
HubSpot, Inc. (HUBS.N)	O (03/21/2023)	$197.69
Klaviyo, Inc (KVYO.N)	O (04/29/2026)	$14.78
LegalZoom.com Inc (LZ.O)	U (07/28/2022)	$5.61
Liveramp Holdings Inc (RAMP.N)	E (01/13/2025)	$37.54
NICE Ltd. (NICE.O)	O (10/16/2023)	$88.62
RingCentral Inc (RNG.N)	E (08/08/2023)	$39.21
Salesforce, Inc. (CRM.N)	O (12/21/2023)	$175.35
Sprinklr Inc (CXM.N)	E (07/19/2021)	$5.40
Sprout Social Inc (SPT.O)	E (11/17/2020)	$6.96
Twilio Inc (TWLO.N)	O (02/24/2025)	$204.69
Wix.Com Ltd (WIX.O)	O (01/13/2025)	$48.22
Zeta Global Holdings Corp (ZETA.N)	E (08/01/2024)	$21.08

ZoomInfo Technologies Inc (GTM.O)	E (02/01/2024)	$2.77
Josh Baer, CFA		
Asana Inc (ASAN.N)	U (05/20/2025)	$7.54
Box Inc (BOX.N)	E (05/21/2024)	$26.54
CCC Intelligent Solutions Holdings Inc (CCC.O)	O (11/13/2024)	$4.75
Commerce.com Inc. (CMRC.O)	++	$2.66
CoreWeave (CRWV.O)	E (04/22/2025)	$98.45
Coursera, Inc. (COUR.N)	E (04/22/2026)	$5.34
DigitalOcean Holdings Inc (DOCN.N)	O (01/16/2025)	$168.33
Docebo Inc. (DCBO.O)	E (05/12/2025)	$17.82
DocuSign Inc (DOCU.O)	E (01/16/2024)	$45.07
Lightspeed Commerce Inc. (LSPD.N)	E (02/18/2021)	$9.55
Microsoft (MSFT.O)	O (01/13/2016)	$403.41
monday.com Ltd (MNDY.O)	O (08/12/2025)	$83.23
Nebius Group NV (NBIS.O)	E (01/15/2026)	$220.12
Sabre Corp (SABR.O)	E (03/16/2021)	$1.66
ServiceTitan Inc (TTAN.O)	O (01/20/2026)	$70.71
Shopify Inc (SHOP.O)	O (04/19/2024)	$110.42
Toast, Inc. (TOST.N)	O (12/16/2021)	$25.00
Via Transportation Inc (VIA.N)	O (01/20/2026)	$14.65
Zoom Communications (ZM.O)	E (10/11/2022)	$96.83
Meta A Marshall		
Check Point Software Technologies Ltd. (CHKP.O)	E (10/16/2023)	$127.43
CrowdStrike Holdings Inc (CRWD.O)	O (03/10/2026)	$644.93
Fortinet Inc. (FTNT.O)	U (09/02/2025)	$138.39
Gen Digital Inc. (GEN.O)	E (06/07/2024)	$24.97
Netskope, Inc. (NTSK.O)	O (10/13/2025)	$9.00
Okta, Inc. (OKTA.O)	O (12/02/2024)	$119.96
Palo Alto Networks Inc (PANW.O)	O (10/10/2017)	$260.52
Qualys Inc (QLYS.O)	U (02/09/2021)	$109.71
Rapid7 Inc (RPD.O)	E (08/11/2015)	$7.10
SailPoint Inc (SAIL.O)	O (09/02/2025)	$15.66
SentinelOne, Inc. (S.N)	E (12/02/2024)	$15.24
Tenable Holdings Inc (TENB.O)	E (12/02/2024)	$26.69
Varonis Systems, Inc. (VRNS.O)	E (01/26/2026)	$32.48
Zscaler Inc (ZS.O)	E (04/22/2026)	$125.84
Sanjit K Singh		
Akamai Technologies, Inc. (AKAM.O)	O (01/12/2026)	$137.81
Appian Corp (APPN.O)	E (04/30/2026)	$24.05
Atlassian Corporation PLC (TEAM.O)	O (01/13/2020)	$95.61
C3.ai (AI.N)	U (01/04/2021)	$10.79
Cloudflare Inc (NET.N)	O (12/02/2024)	$236.13
Datadog, Inc. (DDOG.O)	O (01/12/2026)	$227.34
Dynatrace Inc (DT.N)	E (02/13/2024)	$40.77
Elastic NV (ESTC.N)	O (12/16/2024)	$61.26
GitLab Inc (GTLB.O)	E (01/12/2026)	$30.30
JFrog Ltd. (FROG.O)	O (12/21/2023)	$81.26
MongoDB Inc (MDB.O)	O (04/12/2023)	$340.28
Oracle Corporation (ORCL.N)	E (01/15/2019)	$205.81
PagerDuty, Inc. (PD.N)	E (01/24/2024)	$8.74
Palantir Technologies Inc. (PLTR.O)	E (02/04/2025)	$132.07
ServiceNow Inc (NOW.N)	O (09/24/2025)	$106.97
Snowflake Inc. (SNOW.N)	O (06/24/2025)	$239.66
UiPath Inc (PATH.N)	E (09/07/2022)	$10.75

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* Historical prices are not split adjusted.