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CoreWeave

Cisco Had Customers Like This: Initiating at Underweight

CoreWeave fell ~25% in the week to 16 October, its worst week in more than 11 months, as the yield on its 9.75% notes due 2031 briefly topped 16% and five-year CDS pushed through 1,000bp. The market's shorthand for the selloff is "Cisco, 2000". We think the analogy is right about the mechanism and wrong about the cast: CoreWeave is not this cycle's Cisco. It is Cisco's customer. In 1999-2000 equipment vendors financed the carriers that bought their gear, and when money tightened the losses landed first on the leveraged buyers. Today NVIDIA owns ~10% of CoreWeave and backstops \$6.3bn of its unsold capacity, while CoreWeave carries \$35.6bn of debt principal (30 June, before \$4.2bn of new converts) and spends a larger share of revenue on interest than any of 446 large non-financial companies screened by StockTitan. The backlog is real; the problem is the spread: we estimate a new megawatt earns a ~5% unlevered return, below the ~9% CoreWeave now pays on secured project debt and the ~15% its unsecured bonds yield. We initiate at Underweight with a Dec-27 price target of \$44.

- Initiating at Underweight, Dec-27 PT \$44.** Our PT blends three Dec-27 scenarios (Table 1). Base (50%): 5.0x FY28E Adj. EBITDA of \$18.3bn less YE27E net debt of \$65.1bn, or \$41/share. Bull (20%): investment-grade project funding scales and the backlog converts on schedule; 6.5x on \$21.0bn, or \$106. Bear (30%): the funding window stays shut and the build stalls; 4.5x on \$15.4bn, or \$8. **Even our central case sits ~25% below the current price, and we weight the bear case (-85%) above the bull case (+91%).** Consensus is \$136 (22 Buy, 8 Hold, 2 Sell); the shares already trade below the lowest Street PT of \$74.
- Negative carry is the thesis, not demand.** Net interest expense has exceeded Adj. operating income in every quarter since the March 2025 IPO, and 3Q26 guidance widens the gap: Adj. operating income of \$200-260M against interest expense of \$860-940M (Figure 2). On our unit economics (Figure 6), a megawatt costs ~\$33M to equip and earns ~\$6.7M a year of project EBITDA at the YE26 exit-ARR run-rate: a ~4.8% unlevered IRR over a five-year contract. **Clearing a 9% cost of secured debt needs ~\$11.8M of revenue per MW, ~15% above today's run-rate.** Until that changes, growth consumes equity value.
- The Cisco parallel, corrected.** Three things rhyme: suppliers funding customers (Lucent had ~\$6.9bn of customer loans and guarantees by March 2001); a Fed that turned (+175bp in 1999-2000; +25bp on 16 September, the first hike since 2023); and debt piling up at the buyer, not the vendor. Two do not: NVIDIA (\$229bn of equity) is a far stronger backstop than Lucent was, and CoreWeave's revenue is contracted, mostly with investment-grade counterparties (Figure 4).

Underweight

CRWV, CRWV US
 Price (22 Oct 26): \$55.60
Price Target (Dec-27): \$44.00
 Initiation of coverage

AI Infrastructure & Cloud

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Quarterly Forecasts (FYE Dec)

Adj. EBITDA (\$ mn)	2025A	2026E	2027E
Q1	607	1,157	2,950
Q2	753	1,510	3,245
Q3	838	2,030	3,540
Q4	898	2,596	3,835
FY	3,096	7,293	13,570

Credit Dashboard

Metric	Latest	Yr ago	Chg
CRWV 5Y CDS (bp)	1,000+	~360	+178%
Implied 5Y PD*	57%	26%	+31pp
ORCL 5Y CDS (bp)	~295	~76	+287%
CRWV share price (\$)	55.60	123.3	-55%
Fed funds, upper (%)	4.00	4.25	-25bp

CRWV 9.75% 2031s: **15.8% YTM** (record), from 11.3% in Aug. UST 10Y touched 5.36% in Oct, the highest since 2002. *40% recovery.

Sources for: Credit Dashboard: Reuters, Bloomberg, CNBC, Benzinga and S&P Global Market Intelligence as reported; Federal Reserve; K2 Capital calculations. All other tables are company data and K2 Capital estimates.

See page 9 for analyst certification and important disclosures.

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Price Performance



Company Data

Shares O/S (mn)	551.5
52-week range (\$)	141.79-53.50
Market cap (\$ mn)	30,663
Exchange rate	1.00
Debt principal, 30-Jun-26 (\$ mn)	35,600
Lease liabilities, 30-Jun-26 (\$ mn)	16,300
Unrestricted cash, 30-Jun-26 (\$ mn)	5,500
Volume, 22-Oct-26 (mn)	81.8
Next results	9 Nov 2026 (3Q26)
Consensus (Buy Hold Sell)	22 8 2
Consensus PT (\$)	136.20

Key Metrics (FYE Dec)

\$ in millions	FY25A	FY26E	FY27E
Financial Estimates			
Revenue	5,131	12,553	23,000
Adj. EBIT	668	955	2,770
Adj. EBITDA	3,096	7,293	13,570
Adj. net income	(606)	(2,257)	(1,930)
Adj. EPS	(1.39)	(4.13)	(3.30)
Cashflow from operations	3,060	7,185	9,670
FCF	(7,250)	(28,935)	(20,330)
Margins and Growth			
Revenue Growth Y/Y (%)	167.9%	144.7%	83.2%
Adj. EBIT margin	13.0%	7.6%	12.0%
Adj. EBITDA margin	60.3%	58.1%	59.0%
Adj. EBITDA Growth Y/Y (%)	152.9%	135.6%	86.1%
Net margin (GAAP)	(22.7%)	(22.6%)	(11.8%)
Ratios			
Interest cover (Adj. EBIT / net int.)	0.54x	0.31x	0.59x
Net debt / Adj. EBITDA	5.8x	6.5x	4.8x
Net debt / Equity	5.4x	12.2x	13.2x
Capex / Revenue	201%	288%	130%
Valuation			
FCF yield	(23.6%)	(94.4%)	(66.3%)
EV/Revenue	9.5x	6.2x	4.2x
EV/Adj. EBITDA	15.7x	10.7x	7.1x
Adj. P/E	nm	nm	nm

Summary Investment Thesis and Valuation

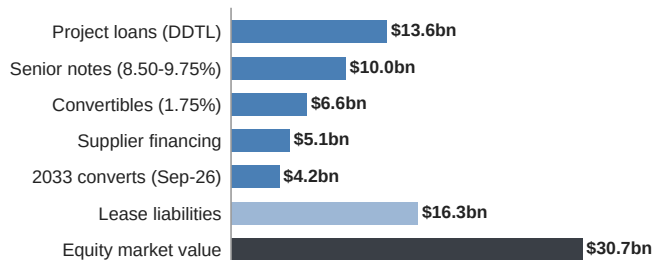
Investment Thesis

CoreWeave is the largest of the neoclouds: it buys NVIDIA GPUs largely with borrowed money, installs them in leased data centres and rents them to hyperscalers and AI labs on multi-year, take-or-pay contracts. Demand is not our concern. Backlog reached \$104bn at June (+246% y/y), with more than \$25bn of further commitments signed early in 3Q, and revenue is guided to more than double in 2026. Our concern is that the business converts that demand into returns below its cost of capital. Net interest has exceeded Adj. operating income in every quarter as a public company; \$10.6bn of principal falls due by end-2027; debt classified as current exceeded unrestricted cash at June; and the Fed's September hike, with long yields near 20-year highs, has raised the price of every refinancing. In 2000-02 the leveraged buyers of network gear proved far more fragile than their order books suggested. We rate shares Underweight.

Valuation

Our \$44 Dec-27 PT is a probability-weighted blend of three scenarios. Base (50%): 5.0x FY28E Adj. EBITDA of \$18.3bn, a discount to the ~5.8x NTM the shares trade on today as growth slows, less YE27E net debt of \$65.1bn (ex. operating leases), on 636.5M diluted shares, for \$41. Bull (20%): 6.5x on \$21.0bn, with the 2033 converts in the money, for \$106. Bear (30%): 4.5x on \$15.4bn with no equity raise, for \$8. The 30% bear weight is above the ~18% default probability that 5Y CDS implies to Dec-27, because a dilutive recapitalisation can destroy equity value without a credit event. We rate shares Underweight.

Capital Structure



Principal due (\$bn)	2H26	2027	2028	2029	2030	2031+	Total
As at 30-Jun-26	4.4	6.2	4.4	2.4	3.2	14.9	35.6
Instrument		Maturity		Pricing / terms			
9.750% senior notes		Oct-2031		15.8% YTM			
9.625% senior notes		2032		14.9% YTM			
1.75% converts		Dec-2031		Conv. \$107.80			
1.75% converts		Oct-2032		Conv. \$119.60			
2.875% converts (Sep-26)		Apr-2033		Conv. \$97.85			
DDTL 5.5 (Aug-26, \$2.6bn)		Sep-2031		SOFR+5.50%			

- **Financing and Capex Update. (1)** CoreWeave guides 2026 capex of \$35-39bn, roughly three times expected revenue, with \$11.5-13.5bn in 3Q alone. **(2)** Since June it has added \$4.2bn of 2.875% converts due 2033 (conversion \$97.85, a 22.5% premium to \$79.88) and a \$2.6bn DDTL at SOFR+5.50%, after \$3.5bn of 1.75% converts in April. **(3)** At 30 June, debt classified as current was \$7.5bn against \$5.5bn of unrestricted cash (0.74x), the only one of seven listed AI cloud and data centre borrowers screened by StockTitan with current debt above cash; total liquidity including undrawn facilities was \$15.6bn. **(4)** Off the debt line, CoreWeave owed \$29.1bn of future lease payments and had signed a further \$35.5bn of leases not yet commenced. **(5)** Contract-backed secured debt remains open (a March non-recourse loan priced at SOFR+2.25%), and the co-founder has said the company is exploring investment-grade markets; the unsecured market, at ~15%, effectively is not. **All told, we estimate CoreWeave needs ~\$18bn of external funding in 2H26 and a further ~\$20bn in 2027.**
- **2Q26 Summary.** Revenue rose 112% y/y to \$2.58bn, ahead of \$2.56bn consensus; Adj. EBITDA was \$1.51bn (59% margin) and Adj. operating income \$128M (5%), against net interest of \$640M and a net loss of \$626M. Backlog reached \$104bn (+246% y/y); three customers were 36%, 26% and 10% of revenue; take-or-pay contracts were 98% of revenue. Guidance was raised: 2026 revenue \$12.4-13.2bn, Adj. operating income \$960M-1.15bn, active power above 1.85GW at year-end and exit ARR of \$18.5-19.5bn. 3Q26 results are due 9 November. See Figure 1.

Table 1: CoreWeave Dec-27 PT Methodology

\$ in millions, except per share

	Bull	Base	Bear
FY28E Revenue	35,000	31,000	27,000
Adj. EBITDA margin	60.0%	59.0%	57.0%
FY28E Adj. EBITDA (NTM at Dec-27)	21,000	18,290	15,390
x EV / NTM Adj. EBITDA	6.5x	5.0x	4.5x
Implied Enterprise Value	136,500	91,450	69,255
Less: YE27E Net Debt (ex. operating leases)	(64,164)	(65,064)	(64,564)
Target Equity Value	72,336	26,386	4,691
Class A & B Shares, 31-Jul-26 (M)	551.5	551.5	551.5
RSUs & Options (M)	25.0	25.0	25.0
Projected 2027 Equity Issuance (M)	60.0	60.0	-
2033 Convertible Shares (M)	42.9	-	-
Total Diluted Shares (M)	679.4	636.5	576.5
Value per Share	\$106.47	\$41.45	\$8.14
Scenario Probability	20%	50%	30%
Dec-27 Price Target (probability-weighted)		\$44.00	
Return Potential		-21%	

Source: Company reports, K2 Capital estimates. Net debt excludes operating lease liabilities, whose cost is captured in Adj. EBITDA. Bull net debt includes +\$3.3bn of extra build net of interest savings and conversion of the \$4.2bn 2033 notes; converts with conversion prices above the scenario value are excluded.

Figure 1: CoreWeave Earnings Trends

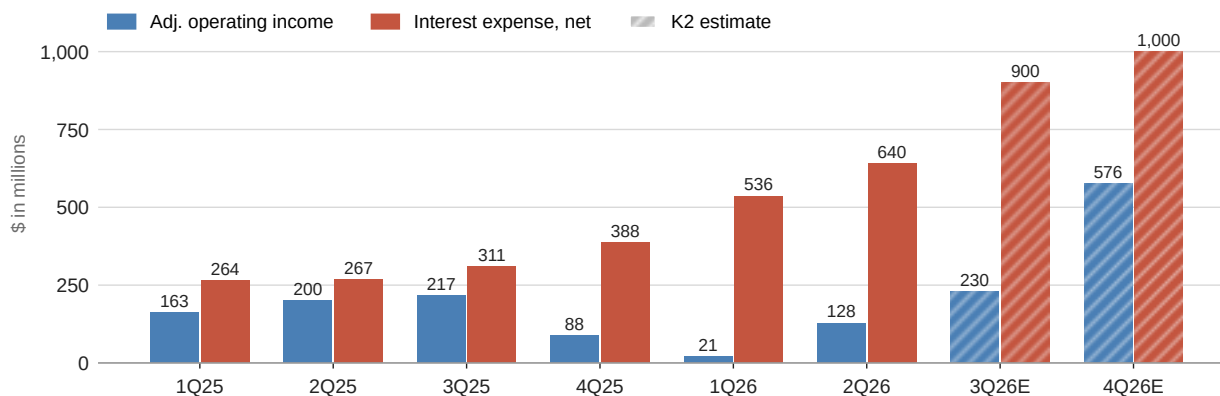
\$ in millions

	2Q25	3Q25	4Q25	1Q26	2Q26
Active power (MW)	~470	~590	>850	>1,000	~1,500
Revenue backlog (\$bn)	30.1	55.6	66.8	99.4	104.0
Revenue	1,212	1,364	1,572	2,078	2,575
Adj. EBITDA	753	838	898	1,157	1,510
Adj. EBITDA margin	62.1%	61.4%	57.1%	55.7%	58.6%
Adj. operating income	200	217	88	21	128
Interest expense, net	(267)	(311)	(388)	(536)	(640)
Adj. operating income less net interest	(67)	(94)	(300)	(515)	(512)
Net interest / revenue	22.0%	22.8%	24.7%	25.8%	24.9%
Net loss (GAAP)	(290)	(110)	(452)	(740)	(626)
Capex (cash)	(2,450)	(2,390)	(4,060)	(7,700)	(6,420)
Free cash flow	(2,701)	(700)	(2,500)	(4,720)	(5,741)

Source: Company reports, FMP via Bigdata.com, K2 Capital calculations. Capex is cash capex from the cash flow statement; company-defined capex, which includes vendor-financed equipment, is higher.

Figure 2: Negative Carry: Interest Has Exceeded Adj. Operating Income in Every Quarter as a Public Company

\$ in millions; 3Q26E and 4Q26E are K2 estimates (3Q26 guidance: Adj. operating income \$200-260M, interest expense \$860-940M)



Source: Company reports, K2 Capital estimates.

Figure 3: Dec-27 Equity Value per Share: Multiple vs. FY28E Adj. EBITDA

Base-case YE27E net debt (\$65.1bn) and 636.5M diluted shares; red: below 75% of current price, amber: below current price

EV / NTM Adj. EBITDA	\$15.0bn	\$16.5bn	\$18.3bn	\$20.0bn	\$21.5bn
4.0x	nm	\$1	\$13	\$23	\$33
4.5x	\$4	\$14	\$27	\$39	\$50
5.0x	\$16	\$27	\$41	\$55	\$67
5.5x	\$27	\$40	\$56	\$71	\$84
6.0x	\$39	\$53	\$70	\$86	\$100
6.5x	\$51	\$66	\$85	\$102	\$117
7.0x	\$63	\$79	\$99	\$118	\$134

Source: K2 Capital estimates. Each 0.5x turn of multiple moves equity value by ~\$14/share, or ~26% of the current price: a thin equity slice on a large debt stack.

Then and Now: Who Holds the Debt

Cisco closed at \$80.06 on 27 March 2000, briefly the world's most valuable company after a near-600% two-year run, and reached \$8.12 in October 2002. Cisco survived; many of its customers did not. Carriers such as Winstar, financed by Lucent, failed when funding dried up in 2001, and their vendors took the write-downs. The useful lesson is not that demand collapsed (internet traffic kept doubling) but that **the leveraged layer between the end user and the vendor broke first**, once the cost of money rose and the price per unit of capacity fell. Today that layer is the neoclouds, Oracle and OpenAI's landlords, not NVIDIA. OpenAI itself projects ~\$278bn of negative free cash flow over 2026-30 (FT), which is why the counterparty chain matters as much as the backlog.

Figure 4: The 2000 Template, Rhyme by Rhyme

	1999-2002: Telecom	2025-2026: AI Compute
Vendor	Cisco, Lucent, Nortel	NVIDIA
Leveraged buyer	CLECs and long-haul carriers (Winstar, Global Crossing, WorldCom)	Neoclouds (CoreWeave: \$35.6bn debt principal); Oracle (\$125bn of notes, S&P BBB-); OpenAI's landlords
Vendor support	Lucent: ~\$6.9bn of customer loans and guarantees (Mar-01); Nortel ~\$3.1bn; Cisco ~\$2.4bn	NVIDIA: up to \$105bn guarantee of OpenAI's Ohio leases; \$6.3bn CoreWeave capacity backstop to Apr-32; ~10% CoreWeave stake
Monetary policy	Fed +175bp, Jun-99 to May-00 (4.75% to 6.50%)	Fed +25bp on 16-Sep-26 to 3.75-4.00%, first hike since 2023; UST 10Y touched 5.36%, highest since 2002
Demand signal	Internet traffic roughly doubling a year, right through the bust	CoreWeave backlog \$104bn (+246% y/y); Oracle RPO \$664bn, roughly half OpenAI
Credit signal	Telecom accounted for about a quarter of corporate bond defaults in the bust	CRWV 5Y CDS above 1,000bp; ~\$4bn of CRWV debt below 80c; 46% of 2026 data centre bonds rated junk
What actually broke	Funding first, then price per bit; vendors wrote down loans and inventory (Cisco ~\$2.25bn of inventory in 2001)	To watch: GPU-hour pricing on contract renewals and the cost of refinancing
Where the analogy fails	Vendors were thinly capitalised; much buyer revenue was speculative	NVIDIA has \$229bn of equity; 98% of CRWV revenue is take-or-pay, mostly with investment-grade counterparties

Source: Lucent SEC filings (2001), Columbia Business School, Federal Reserve, company filings, Forbes, Reuters, S&P Global Market Intelligence as reported, K2 Capital.

Figure 5: Decomposing NVIDIA's "Half a Trillion"

NVIDIA 10-Q, quarter to 26-Jul-26	\$bn	What it is
Supply and capacity purchase commitments	279.0	Owed to NVIDIA's own suppliers; not customer financing
Multi-year cloud service agreements	29.0	NVIDIA renting compute, incl. from partners
Data centre leases not yet commenced	25.0	NVIDIA as tenant; expected to be reassigned
Equity investment commitments	25.0	Future stakes in partners and customers
Capital expenditure commitments	8.0	NVIDIA's own facilities
Other disclosed commitments	56.0	As tallied from the same filing
Guarantee: OpenAI leases, SB Energy Ohio campus	105.0	Contingent; pays only on OpenAI default and a shortfall on re-letting
Guarantees: land, power and shell for AI clouds	3.5	Contingent
Total commitments and guarantees	~530.5	The "half a trillion" headline
Memo: customer-facing support	up to 164.5	~72% of NVIDIA equity; overlaps lines above

Source: NVIDIA 10-Q (filed 26-Aug-26) via FourWeekMBA, Forbes/The Information (customer-facing memo: \$105bn Ohio guarantee, ~\$36bn unsold-capacity commitments, ~\$20bn leases passed through, \$3.5bn lease guarantees). NVIDIA shareholders' equity \$229.0bn at 26-Jul-26.

Reading NVIDIA's exposure correctly. The popular claim that NVIDIA has "lent over half a trillion dollars" to its customers overstates the case. The ~\$530bn in its latest 10-Q is mostly purchase commitments to its own suppliers. Customer-facing support (guarantees, capacity buybacks and leases passed through) totals up to ~\$164.5bn, ~72% of NVIDIA's equity, and none of it is a conventional loan. The largest piece, up to \$105bn, backs OpenAI's Ohio leases and pays only if OpenAI defaults and the site cannot be re-let at a similar value. Nor are we aware of any payment default by a major NVIDIA customer. **What has changed is the price of insurance against one:** CoreWeave's 5Y CDS is above 1,000bp, Oracle's set a record near 300bp, and the FT reports NVIDIA has approached insurers about covering lenders to neoclouds.

The Spread: Why Growth Consumes Equity

The bull case for CoreWeave rests on the backlog, and the backlog is real: 98% of 2Q26 revenue came from take-or-pay contracts, and the company said in late 2025 that over 60% of backlog was with investment-grade customers. The bear case rests on the arithmetic of each megawatt. At the YE26 exit-ARR run-rate (~\$10.3M of revenue per MW-year) and a 65% project margin, a megawatt that costs ~\$33M to equip returns ~4.8% a year unlevered over a five-year contract with a 15% residual value (Figure 6). CoreWeave's newest parent-guaranteed project debt costs SOFR+5.50% (~9%), and its unsecured bonds yield ~15%. **Funding a ~5% asset with 9-15% money destroys value at the margin, and the faster the build, the faster the destruction.** The fix is not more demand; it is higher pricing per megawatt (~\$11.8M to clear 9%), longer asset lives or cheaper money. Figure 7 shows the funding the current plan still requires: ~\$18.5bn of new net debt in 2H26 and ~\$17.3bn in 2027, even after \$3bn of new equity.

Figure 6: Unlevered IRR per Megawatt

Five-year contract; residual value of equipment at year five

Revenue per MW-year (\$M)	0% residual	15% residual	30% residual
8.0	-7.5%	-1.9%	2.4%
9.0	-3.9%	1.1%	5.1%
10.3 (YE26 run-rate)	0.4%	4.8%	8.4%
12.0	5.8%	9.6%	12.8%
14.0	11.8%	15.0%	17.7%

Source: K2 Capital estimates. \$33M capex per MW (GPUs, networking, fit-out; CoreWeave leases powered shells); 65% project EBITDA margin before corporate overhead; five-year take-or-pay term; no tax (NOLs). Red: below the ~9% cost of secured project debt; amber: 9-15%; green: above the ~15% unsecured yield. Break-even revenue per MW for a 9% IRR: \$11.8M; for 15%: \$14.0M. Run-rate: exit-ARR guidance midpoint of \$19.0bn over 1.85GW of active power.

Figure 7: The Funding Bridge

K2 estimates; net debt excludes lease liabilities

\$ in millions	2H26E	FY27E	FY28E
Adj. EBITDA	4,626	13,570	18,290
Interest expense, net	(1,900)	(4,700)	(6,150)
Working capital and other	800	800	900
Operating cash flow	3,526	9,670	13,040
Capex (incl. vendor-financed)	(22,000)	(30,000)	(29,000)
Free cash flow	(18,474)	(20,330)	(15,960)
Equity issued	0	3,000	0
Increase in net debt	18,474	17,330	15,960
Net debt, end of period (ex. leases)	47,734	65,064	81,024

Source: Company reports, K2 Capital estimates. 2H26E capex reflects 3Q26 guidance of \$11.5-13.5bn and FY26 guidance of \$35-39bn. Net debt at 30-Jun-26: \$29.3bn on the balance-sheet basis used here.

Figure 8: What the Credit Market Implies

Cumulative default probability implied by 5Y CDS

5Y CDS, 40% recovery	Spread (bp)	Annual hazard	To Dec-27	5-year
CRWW, 22-Oct-26	1,000	16.7%	18.0%	56.5%
CRWW, top of recent range	1,200	20.0%	21.2%	63.2%
ORCL (S&P BBB-)	295	4.9%	5.7%	21.8%
K2 bear-case weight	-	-	30.0%	-

Source: CNBC, S&P Global Market Intelligence and BigGo Finance as reported (spreads); K2 Capital calculations using a constant hazard rate of spread / (1 - recovery). Dec-27 horizon is 14.3 months.

Credit is already sceptical. At ~1,000bp, CoreWeave's 5Y CDS implies an ~18% probability of default by Dec-27 and ~57% over five years. Our 30% bear weight sits above the near-term figure because equity can be impaired well short of default: a deeply discounted raise, a debt-for-equity exchange or covenant-driven asset sales would leave lenders whole and shareholders diluted. At ~5.8x NTM Adj. EBITDA, the equity has not yet priced the scepticism that the credit market already shows.

Investment Thesis, Valuation and Risks

CoreWeave (Underweight; Price Target: \$44.00)

Investment Thesis

CoreWeave is the largest of the neoclouds: it buys NVIDIA GPUs largely with borrowed money, installs them in leased data centres and rents them to hyperscalers and AI labs on multi-year, take-or-pay contracts. Demand is not our concern; the spread is. We estimate a new megawatt earns a ~5% unlevered return over a five-year contract, below the ~9% CoreWeave pays on secured project debt and the ~15% its unsecured bonds yield. Net interest has exceeded Adj. operating income in every quarter as a public company, \$10.6bn of principal falls due by end-2027, and the Fed's September hike has raised the price of every refinancing. In 2000-02 it was the leveraged buyers of network gear, not their vendors, whose equity failed first. We rate shares Underweight.

Valuation

Our \$44 Dec-27 PT is a probability-weighted blend of a base case (50%) at 5.0x FY28E Adj. EBITDA of \$18.3bn less YE27E net debt of \$65.1bn (\$41/share), a bull case (20%) at 6.5x on \$21.0bn (\$106) and a bear case (30%) at 4.5x on \$15.4bn (\$8). We rate shares Underweight.

Risks to Rating and Price Target

Upside Risks: CoreWeave places investment-grade, contract-backed debt at scale and lowers its blended cost of debt; faster backlog conversion, with more than two-thirds of the 2Q26 backlog in delivery by year-end as guided; evidence that GPUs earn well beyond six years, with renewals at more than 60% of original pricing; further explicit support from NVIDIA or a strategic bid; lower rates; or a rerating of AI infrastructure equities irrespective of fundamentals.

What Would Make Us Wrong?

We would revisit the rating if two or more of the following occur:

1. The blended cost of new debt falls below ~7% for two consecutive quarters (first test: 3Q26 interest against the \$860-940M guide).
2. Revenue per active MW rises above ~\$11.8M, our 9% IRR break-even, or capex per MW falls below ~\$28M.
3. Hopper-era contracts renew at more than 60% of original rates as they roll off in 2026-28.
4. Adj. operating margin reaches the guided low teens in 4Q26 and Adj. operating income exceeds net interest by 2H27; our model has the gap persisting through 2028.
5. CRWV 5Y CDS returns below ~500bp with unsecured yields below 10%, signalling that refinancing risk is receding faster than we assume.

Signposts

28 Oct: FOMC decision and Oracle investor day. 9 Nov: CoreWeave 3Q26 results (interest expense, delivery-commenced share of backlog, liquidity). 18 Nov: FOMC minutes. 9 Dec: FOMC decision and projections.

CoreWeave: Summary of Financials

Income Statement - Annual	FY24A	FY25A	FY26E	FY27E	FY28E	Income Statement - Quarterly	1Q26	2Q26	3Q26E	4Q26E	
Revenue	1,915	5,131	12,553	23,000	31,000	Revenue	2,078	2,575	3,500	4,400	
Cost of revenue	(493)	(1,453)	(4,281)	(7,820)	(10,540)	Cost of revenue	(716)	(879)	(1,190)	(1,496)	
Gross profit (ex. D&A)	1,422	3,678	8,272	15,180	20,460	Gross profit (ex. D&A)	1,362	1,696	2,310	2,904	
Cash opex (ex. D&A, SBC)	(198)	(582)	(979)	(1,610)	(2,170)	Cash opex (ex. D&A, SBC)	(205)	(186)	(280)	(308)	
Adj. EBITDA	1,224	3,096	7,293	13,570	18,290	Adj. EBITDA	1,157	1,510	2,030	2,596	
D&A	(863)	(2,428)	(6,338)	(10,800)	(14,600)	D&A	(1,136)	(1,382)	(1,800)	(2,020)	
Adj. EBIT	361	668	955	2,770	3,690	Adj. EBIT	21	128	230	576	
SBC & other adjustments	(37)	(714)	(719)	(794)	(894)	SBC & other adjustments	(165)	(177)	(186)	(191)	
Operating income (GAAP)	324	(46)	236	1,976	2,796	Operating income (GAAP)	(144)	(49)	44	385	
Net interest	(361)	(1,229)	(3,076)	(4,700)	(6,150)	Net interest	(536)	(640)	(900)	(1,000)	
Other non-operating	(707)	60	149	0	0	Other non-operating	24	125	0	0	
Pre-tax income	(744)	(1,215)	(2,691)	(2,724)	(3,354)	Pre-tax income	(656)	(564)	(856)	(615)	
Tax	(119)	48	(146)	0	0	Tax	(84)	(62)	0	0	
Net income (GAAP)	(863)	(1,167)	(2,837)	(2,724)	(3,354)	Net income (GAAP)	(740)	(626)	(856)	(615)	
Adj. net income	(65)	(606)	(2,257)	(1,930)	(2,460)	Adj. net income	(596)	(567)	(670)	(424)	
Reported EPS	nm	(2.68)	(5.20)	(4.66)	(5.44)	Reported EPS	(1.40)	(1.14)	(1.55)	(1.11)	
Adj. EPS	nm	(1.39)	(4.13)	(3.30)	(3.99)	Adj. EPS	(1.13)	(1.03)	(1.21)	(0.77)	
DPS	-	-	-	-	-	DPS	-	-	-	-	
Shares outstanding (wtd)	-	435	546	585	616	Shares outstanding (wtd)	527	551	552	553	
Balance Sheet & Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E	Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	1,361	3,950	6,000	6,000	6,000	Gross margin (ex. D&A)	74.3%	71.7%	65.9%	66.0%	66.0%
Accounts receivable	426	3,170	4,350	6,430	8,660	Adj. EBITDA margin	63.9%	60.3%	58.1%	59.0%	59.0%
Other current assets	129	370	600	600	600	Adj. EBIT margin	18.9%	13.0%	7.6%	12.0%	11.9%
Current assets	1,916	7,490	10,950	13,030	15,260	Net profit margin	(45.1%)	(22.7%)	(22.6%)	(11.8%)	(10.8%)
PP&E (net)	14,500	38,790	81,488	100,644	115,000	ROE	nm	nm	(78.4%)	(61.7%)	(91.2%)
Other non-current assets	1,420	3,020	4,220	4,220	4,220	ROA	nm	(3.5%)	(3.9%)	(2.5%)	(2.7%)
Total assets	17,836	49,300	96,658	117,894	134,480	ROCE (Adj. EBIT / debt + equity)	4.8%	2.7%	1.7%	3.6%	4.1%
Short-term debt	2,470	7,170	8,060	10,660	13,054	Net debt / equity	nm	5.4x	12.2x	13.2x	33.4x
Payables	868	1,620	3,630	3,630	3,630	Net debt / Adj. EBITDA	5.4x	5.8x	6.5x	4.8x	4.4x
Other current liabilities	1,622	7,650	11,833	14,713	17,843	P/E (x)	nm	nm	nm	nm	nm
Current liabilities	4,960	16,440	23,523	29,003	34,527	P/BV (x)	nm	9.2x	7.9x	6.2x	12.6x
Long-term debt	5,460	14,660	45,674	60,404	73,970	EV/Revenue (x)	19.4x	9.5x	6.2x	4.2x	3.6x
Other LT liabilities (incl. leases)	7,830	14,870	23,557	23,557	23,557	EV/Adj. EBITDA (x)	30.4x	15.7x	10.7x	7.1x	6.1x
Total liabilities	18,250	45,970	92,754	112,964	132,054	FCF yield	(19.4%)	(23.6%)	(94.4%)	(66.3%)	(52.0%)
Shareholders' equity	(414)	3,330	3,904	4,930	2,426	Interest cover (x)	1.00x	0.54x	0.31x	0.59x	0.60x
Total liabilities & equity	17,836	49,300	96,658	117,894	134,480	Capex / Sales	454.3%	200.9%	287.7%	130.4%	93.5%
BVPS	nm	6.58	7.06	8.06	3.94	Revenue y/y Growth	-	167.9%	144.7%	83.2%	34.8%
Net debt (ex. leases)	6,569	17,880	47,734	65,064	81,024	Adj. EBITDA y/y Growth	-	152.9%	135.6%	86.1%	34.8%
Cash flow from operating activities	2,750	3,060	7,185	9,670	13,040	Adj. EBIT y/y Growth	-	85.0%	43.0%	190.1%	33.2%
o/w D&A	863	2,450	6,382	10,844	14,644	Net interest y/y Growth	-	240.4%	150.3%	52.8%	30.9%
o/w Stock-based compensation	31	630	673	750	850						
o/w Changes in working capital	1,680	632	1,372	800	900						
Cash flow from investing activities	(8,660)	(10,270)	(36,120)	(30,000)	(29,000)						
o/w Capital expenditure	(8,700)	(10,310)	(36,120)	(30,000)	(29,000)						
as % of sales	454%	201%	288%	130%	94%						
Cash flow from financing activities	7,460	9,310	30,985	20,330	15,960						
Net change in cash	1,560	2,550	2,050	0	0						
Free cash flow	(5,950)	(7,250)	(28,935)	(20,330)	(15,960)						

Source: Company reports, FMP via Bigdata.com, K2 Capital estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which. FY24A-FY25A and 1Q-2Q26 are actuals; Adj. EBITDA and Adj. EBIT as defined by the company; D&A excludes amortisation of acquired intangibles. FY26E balance sheet rolls forward from the 30-Jun-26 actual; FY26E capex includes vendor-financed equipment in 2H. Debt excludes lease liabilities, shown in other LT liabilities. EV uses the current market cap and period-end net debt. FY24A per-share data not meaningful (pre-IPO share structure).

Analyst Certification: The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject company and its securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific rating or views expressed in this report.

Important Disclosures

Ratings: Overweight: over the duration of the price target, we expect the stock to outperform the total return of the S&P 500. Neutral: we expect the stock to perform in line with it. Underweight: we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report.

Date	Rating	Price (\$)	Price Target (\$)
23-Oct-26	UW (initiation)	55.60	44.00

Positions and conflicts: K2 Capital Limited, its principals and employees may hold positions in, and may trade, the securities of the company discussed in this report or related instruments, including positions inconsistent with its rating.

Sources and methodology: Prices are as of the close on 22 October 2026 unless stated. Company data are from CoreWeave's SEC filings and earnings releases (3Q25-2Q26), its 2Q26 Form 10-Q and Forms 8-K on its convertible notes and delayed draw term loans, with financial statements and consensus data from FMP via Bigdata.com. Other sources include NVIDIA's Form 10-Q for the quarter ended 26 July 2026; Federal Reserve FOMC statement and minutes (September 2026); IMF Global Financial Stability Report (October 2026); Lucent Technologies Forms 10-Q and 8-K (2001); and reporting by Reuters, Bloomberg, CNBC, the Financial Times, Forbes, StockTitan and Benzinga. Market-implied default probabilities are K2 calculations from 5Y CDS spreads assuming 40% recovery. Estimates and unit economics are K2 Capital's and are subject to change without notice.

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