

Citron's Bull Thesis on Nebius.

For those familiar with Yandex, the Russian tech giant that was once often referred to as the “Google of Russia,” you’ll recall how its stock was suspended in 2022 following Russia’s invasion of Ukraine and the resulting economic sanctions. Shareholders were left in limbo for over two years. During this period, management orchestrated a remarkable corporate exit from Russia, ultimately securing \$5.2 billion in a deal that saw Yandex’s Russian operations sold despite the Kremlin’s mandated 50% discount on foreign transactions. The remaining assets, including valuable international businesses and non-Russian operations, were retained under the Yandex umbrella

In October 2024, Nebius (formerly Yandex) emerged with a new name, business model, and a powerful strategy that is quickly gaining attention. This new narrative is one that Citron believes investors cannot afford to overlook.

Nebius: A High-Performance AI-Centric Cloud Platform

At its core, Nebius is an AI-focused cloud platform designed for intensive workloads, a rapidly growing sector driven by the explosion of artificial intelligence. The company’s proprietary software architecture and custom-designed hardware—encompassing everything from servers to data racks and complete data center infrastructure—form the backbone of its cloud services. Nebius gives developers the compute power, storage, managed services, and tools necessary to build, train, and deploy AI models at scale. This puts Nebius in direct competition with other cloud giants like CoreWeave, which specializes in similar AI workloads

Nebius also manages several other smaller yet intriguing business segments. However, for the sake of a focused evaluation, we’ll concentrate on its core cloud infrastructure offering, which forms the majority of its revenue base.

Arkady Volozh: A Proven Leader with Unmatched Vision

Citron’s investment strategy has always been clear: bet on proven winners. Arkady Volozh, the mastermind behind Yandex, is a figure who epitomizes success in the tech world. Volozh transformed Yandex into the leader of the Russian tech economy, earning respect not only within the country but internationally. Despite his outspoken condemnation of Russia’s invasion of Ukraine, calling it “barbaric,” even Russian President Vladimir Putin recognized Volozh’s extraordinary capabilities, stating that he was a “talented man” entitled to his opinion. This level of respect and recognition from the Kremlin underscores the magnitude of Volozh’s influence.

The Nvidia and Accel Partners Investment: A Major Validation

The story of Nebius is further strengthened by a significant investment partnership. In late 2022, despite Nvidia’s full exit from Russia, Nebius secured a \$700 million investment round, which was oversubscribed and completed at a 3% premium to its trading price. This rapid and successful fundraising just six weeks after resuming trading reflects not only the confidence investors have in Nebius but also in Volozh’s ability to execute large-scale AI strategies. Nvidia’s participation, in particular, adds tremendous credibility, as the company had previously withdrawn from Russia amid sanctions

This speaks volumes about Nebius’ potential in the AI and cloud sectors.

Nebius vs. Quantum Computing Stocks: A Clearer Path to Value

Fiver months ago Citron commented on Rigetti, and the stock is up 300% since the mention on the anticipated interest in quantum computing stocks. Note- Citron is no longer long Rigetti and acknowledge it is a science project whose share price has probably gotten ahead of itself.

By contrast, Nebius is on track to generate nearly \$1 billion in revenue by 2025, with a rapidly expanding data center infrastructure business that's already showing significant growth. This is before factoring in the \$700 million investment secured in 2024, which will further accelerate the company's trajectory. Nebius' solid revenue projections, backed by its scalable AI infrastructure, make it a far more predictable and stable investment

Talent is Key: Nebius' Engineering Team Sets It Apart

One of the most powerful drivers behind Nebius' success is its team of over 1,000 engineers, many of whom were recruited from Yandex's ranks. These engineers, some of the most talented in Russia, are now focused on developing Nebius' AI projects. This robust talent pool is a significant advantage, giving Nebius the technical expertise necessary to compete in the rapidly evolving AI space. In fact, Nebius boasts an even larger engineering team than CoreWeave, a recognized leader in AI cloud infrastructure

The Path Forward: Nebius' Bright Future

Citron believes that the current opportunity to buy Nebius stock is unique, with Wall Street analysts yet to initiate coverage on the company. As Nebius continues to ramp up its operations, including further capital raises, we expect analyst attention to increase, which will likely drive the stock price higher.

Nebius is projected to generate nearly \$1 billion in revenue by 2025, largely driven by its data center infrastructure. This business is growing rapidly, and the recent \$700 million capital raise from Nvidia and Accel Partners provides a strong financial foundation for Nebius' future growth.

While AI stocks remain volatile, the optionality in Nebius is immense. If the AI market continues to grow at its current pace, Nebius is well-positioned to capitalize, with a stock price potentially reaching \$50 or more.

Note: The writer of this article may trade the stock before reaching the \$50 target. Please refer to the standard disclaimer on this website.

Cautious Investing to All.

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