

SIKULI CAPITAL

Conviction through contrarian research

Applied Digital (APLD)

Valuation Snapshot — Fair Value Range

As of May 20, 2026 | HPC / AI data center developer + hosting

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
\$37.89	~\$40	\$20 - \$65
May 2026	Bull 25% / Base 50% / Bear 25%	Speculative; hyperscaler lease story

Verdict: APLD reported fiscal Q3 2026 revenue of \$126.6M (+139% YoY) with Adj net income of \$33.2M and Adj EBITDA of \$44.1M^[1]. The headline driver is the \$7.5B 15-year lease with an investment-grade hyperscaler at the Delta Forge 1 AI campus. To fund expansion, APLD announced a \$2.15B senior secured notes offering. Stock dropped 25% from \$48 high on valuation/execution concerns^[2]. At ~526x forward P/E^[3], multiple is detached from current profitability. The bull case is sustained hyperscaler lease pipeline; bear case is execution risk on the massive build-out plus debt service burden.

CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price (approx)	~\$36	Down 25% from \$48 high ^[2]
Q3 FY26 revenue	\$126.6M (+139%)	^[4]
Q3 FY26 Adj EBITDA	\$44.1M	Adj NI \$33.2M ^[4]
Hyperscaler lease	\$7.5B / 15-yr	Delta Forge 1 AI campus ^[1]
Senior secured notes	\$2.15B offering	Funds Polaris Forge 2 ^[4]
Forward P/E	526x	vs 5-yr avg 37x ^[3]

BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
Bull (25%)	Multi-billion lease pipeline expands, Polaris Forge 2 fully leased, multiple stays speculative	\$65
Base (50%)	Delta Forge 1 lease delivers, Polaris Forge 2 partial lease, multiple compresses to 60x	\$40
Bear (25%)	Execution delays, lease pipeline stalls, debt service	\$20

Scenario (weight)	Assumptions	Fair Value
	compresses returns	
Probability-weighted	<i>Capital-intensive HPC datacenter developer; execution + debt risks are material.</i>	~\$40

Key Risks

- **Construction execution:** Multi-billion build-outs require flawless execution; delays = revenue miss.
- **Debt service:** \$2.15B+ secured notes increase financial leverage; coverage ratio matters.
- **Customer concentration:** Delta Forge 1 has single hyperscaler tenant; loss = catastrophic.
- **Power supply:** Grid interconnection delays at North Dakota / data center sites.

What Would Change Our View

- **Upside:** New hyperscaler lease announcement, Polaris Forge 2 lease, EBITDA inflection.
- **Downside:** Construction delay, lease cancellation, debt covenant pressure.

Sources

[1] <https://www.sec.gov/Archives/edgar/data/0001144879/000149315226008549/ex99-2.htm>

[2] <https://www.fxleaders.com/news/2026/05/19/apld-stock-slides-25-as-investors-reassess-valuation-and-quick-expansion-risks/>

[3] <https://www.gurufocus.com/term/forward-pe-ratio/APLD>

[4] <https://www.stocktitan.net/news/APLD/applied-digital-reports-fiscal-third-quarter-2026-29zuud06n6m3.html>

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