Business Description

Iris Energy (ticker IREN) is a company that builds and operates data centers for Bitcoin mining and AI cloud services operations. With a vertically integrated business model, Iris Energy owns the different stages of its supply chain including land development, infrastructure to build data centers, renewable energy to power the business, and the installation of GPUs. The company operates strategically in locations such as British Columbia, Canada, and Texas to utilize low energy costs and maximize margins.

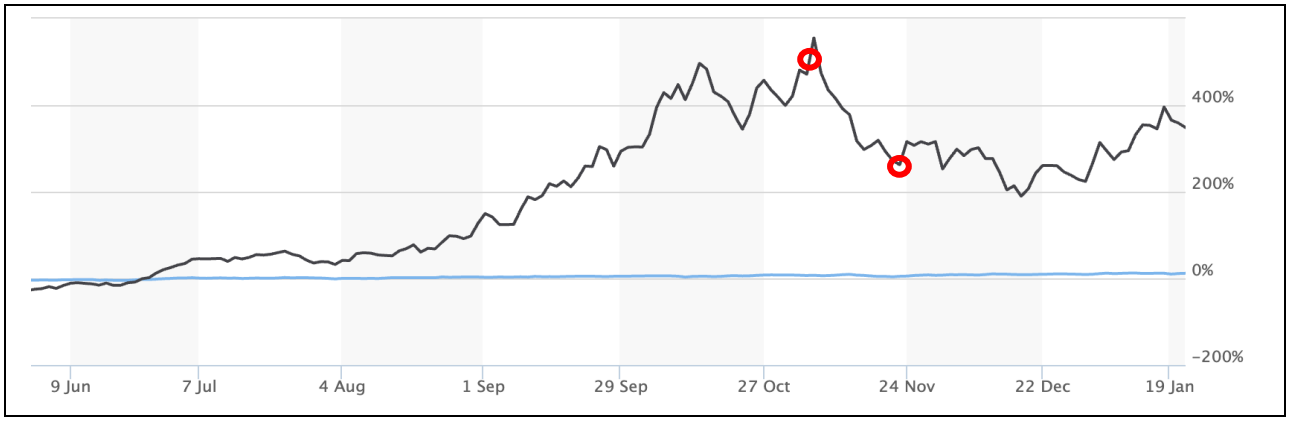
General Investment Thesis

Iris Energy is considered a value investment opportunity with a massive upside potential but is a company that the market has not fully priced in, perceiving it as a risk heavy company. IREN has reached a $9.7 billion agreement with Microsoft to provide them with AI services through their data centers. The market has not fully recognized this deal's value and views it as a risky deal considering that IREN just reached profitability, and such a deal would increase their debt. Furthermore, IREN announced a $3.63 billion capital restructuring of their financials including the launch of a senior convertible note and equity offerings. The market has perceived this as a way of issuing more debt and diluting share, reducing stakeholder value. The true meaning behind these catalysts is intended to expand IREN's data centers in more strategic locations to supply Microsoft and potentially secure bigger contracts with more tech companies, something that the market is not pricing in.

Catalyst #1

General Market Consensus: With the massive $9.7 billion Microsoft deal to expand IREN's AI services, investors fear that the deal may not be profitable for IREN as they just recently reached profitability. Microsoft has greater pricing power which has the ability to backfire on IREN's profitability.

What The Market Misses: Instead of seeing this deal as a negative event, investors are missing the true value behind this deal. After announcing this deal with Microsoft on November 3rd , 2025, the market reacted strongly in the following weeks with a massive drop in stock price as seen in the graph below.



What the market is missing to see here is that IREN is actually opening up massive 2000-megawatt data centers in Sweetwater, Texas over the next 24 months. As mentioned in the MD&A of IREN's annual report, the company plans on opening one site in April 2026 (called Sweetwater 1) and another site in late 2027 (called Sweetwater 2). The construction of these data centers will supply Microsoft with the AI services they need and potentially bigger contracts with other tech companies in the future. So, instead of being a threat to the company's profitability, IREN is actually benefitting from this deal and opening up revenue streams to boost their profitability, eventually raising their stock price.

Catalyst #2

General Market Consensus: IREN's $3.63 billion capital restructuring announcement caused fear in investors as they were concerned of share dilution and losing their stake in the company. The market also saw this announcement as a way of bringing more debt to the company, which may be harmful considering that IREN just started being a profitable company.

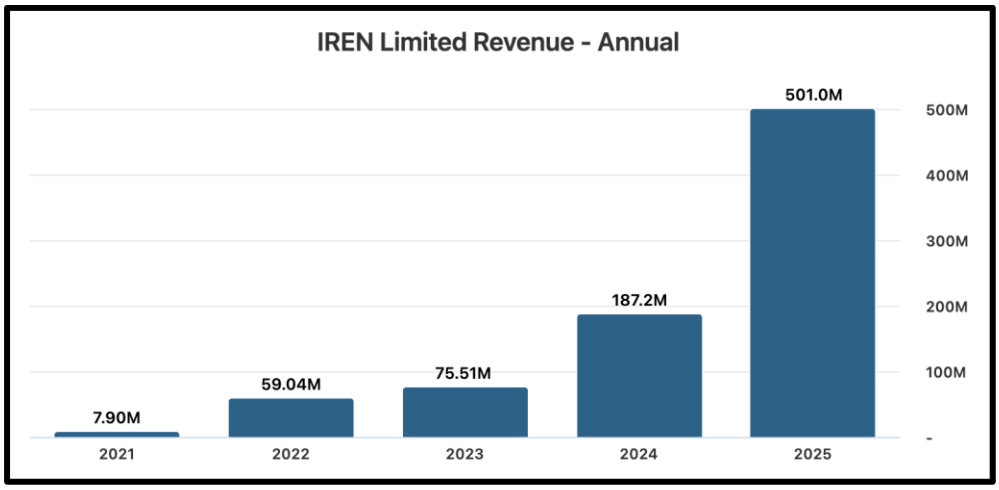
What The Market Misses: This plan allows IREN to raise more capital for their data centers project, rather than simply being in debt. The two segments of this program are to issue a $2 billion senior convertible note and raise $1.63 billion through equity offerings. The market is failing to see that the $2 billion convertible note is actually different from traditional debt as this one has lower interest. Additionally, the debt does not turn into shares unless the stock price rises. Investors actually benefit from this in both ways. If IREN falls behind in this project, they lose less cash due to lower interest, which means there is still more money to expand data centers. If, however, IREN does well with the expansion of data centers, the conversion happens at a higher stock price meaning more money for shareholders. The general market view is that IREN is getting into more debt threatening their balance sheet. However, the reality is that this $3.6 billion capital restructure is just a strategic way to raise money for the expansion of AI data centers, instead of getting into straight debt with higher interest or share dilution.

Comparison of Valation Ratios

	IREN	Industry (Information Technology)	HIVE	CLSK	BITF
EV/EBITDA	74.14	27.25	21.09	13.17	32.09
Price / Sales	24.98	6.48	3.78	4.40	5.57

A comparison of IREN's valuation multiples across its competitors and industry average is conducted above. In this comparison, I used EV/EBITDA and Prices/Sales, primarily focusing on revenue, as the company is not profitable and has just reached profitability in the previous

quarter. As seen above, IREN's valuation for EV/EBITDA is significantly higher than the industry average and the competitors, signaling a potential massive overvaluation of the company. Additionally, IREN's Price/Sales ratio is also comparatively higher, which is another risk to assess, but could also be explained due to IREN's vast revenue growth.



As seen above, IREN's revenue growth over the years has significantly increased consistently, which is promising to see for an investor. Over the next 12 months, IREN's revenue is expected to grow even more with Microsoft's deal at hand and the expansion of their AI infrastructure. While their Price/Sales ratio may be concerning, there is expected to be future growth of revenue and profitability, positively impacting shareholders.

Risks to Consider

Large Valuation Multiples: As IREN remains a promising company with huge, expected growth, the valuation multiples of the company suggest a possible overvaluation which could threaten shareholders.

Huge Expectations Regarding Future: If IREN does not meet expectations regarding Microsoft's deal and expanding their AI infrastructure base, shareholders will not wait and could trigger a plunge in the stock price.

AI Demand: IREN primarily operates through Bitcoin mining and AI cloud services. In recent months, IREN shifted its efforts from Bitcoin mining and focused more on expanding their AI infrastructure. If the AI Demand softens or sees a reduction in tech spending, that could potentially backfire on IREN and see a decline in the stock price.