

Teaching Case Vignette:

Knifedge Listing: A CoreWeave Decision Vignette

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Vignette and Questions

Note and Disclaimer:

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“Ninety minutes until the vote.”

Emma Clarke—CoreWeave’s newly hired Chief Financial Officer—stared through the twelfth-floor conference-room glass at a slate-grey Manhattan sky. Below, March rain flecked the windows of investment-bank SUVs waiting to whisk executives to the final road-show luncheon. Inside, the board of directors was gathering for an emergency session called at dawn: should the company proceed with its initial public offering tomorrow at a cut-rate \$40 per share—or abort the launch and hunt for alternative capital?

Only three years earlier—autumn 2022—Emma had been a restructuring partner watching CoreWeave pivot overnight from Ethereum mining to renting its idle graphics cards to artificial-intelligence researchers. The timing looked crazy; Ethereum’s shift to proof-of-stake had gutted mining revenues, and most miners dumped their hardware. CoreWeave’s founders, by contrast, hoarded GPUs, betting that generative-AI demand would explode. It did: revenue rocketed from **\$15.8 million in 2022 to \$228.9 million in 2023 and then to \$1.92 billion in 2024**—a 737 percent jump that put the company on every Wall Street radar.

Hyper-growth masked deep wounds. Net losses widened from **\$31 million to \$863 million** over the same span, and by late 2024 nearly **\$8 billion of debt** sat on the balance sheet—most of it drawn under private-credit facilities engineered by Magnetar Capital and Blackstone. Interest costs alone ran close to **\$800 million a year**.

Emma’s first exposure to CoreWeave’s cap-table came in a November 2024 diligence folder: Magnetar’s convertible note with a **penny-warrant sweetener**; a \$7.5 billion equipment-financing line collateralised by GPUs; and a director-nomination agreement giving Magnetar a board seat the moment the S-1 filed. Coatue, Carlyle, and BlackRock owned preferred stock with ratchets that automatically reset if the IPO priced below \$45. The structure, a colleague joked, looked “more private-equity than cloud startup.”

Board composition mirrored the money. Alongside the founders sat Magnetar’s partner, a Coatue observer, and—added just last week—former HP CEO Meg Whitman, recruited to reassure public investors that governance was maturing. Emma still couldn’t tell whether Whitman’s presence strengthened oversight or simply papered over brewing conflicts.

6:45 a.m. The rain intensified, drumming a syncopated rhythm as Emma flipped through her deck. Slide 12 glowed in crimson: **Customer concentration—Microsoft 62 %, Nvidia 15 %**. If either whale trimmed workloads, utilisation would plunge. The OpenAI contract signed two days earlier—\$11.9 billion over five years, with OpenAI taking \$350 million in equity—helped diversify, but not nearly enough.

She turned to Slide 18: debt maturities. A \$2.4 billion tranche came due in nine months; another **\$5 billion** in the following eighteen. The IPO’s **\$1.5 billion** raise (already slashed 27 percent when the share count was cut from 49 million to 37.5 million) would barely dent that wall.

Yet investor appetite was cooling. Two weeks of road-show stops delivered questions that felt like cross-examination:

“How can you promise SaaS-like margins with hardware that depreciates in eighteen months?”

“Why should public shareholders sit behind \$7 billion of secured lenders?”

“What happens if Microsoft builds its own GPU farm?”

The syndicate’s books showed demand for only 1.2× the reduced deal size—thin cover for a hyped AI float. Bankers insisted a cornerstone order from Nvidia at \$40 per share would “send a signal.” Emma wasn’t so sure.

7:15 a.m. Emma slipped into the data-centre operations “war-room” on the ninth floor, where COO Jai Patel monitored utilisation dashboards. Rows of green lights meant GPUs were humming; any red meant idle, burning power but not revenue. He pointed: “Microsoft just throttled back a west-coast cluster—internal capacity coming online.” Red pixels metastasised. Emma’s stomach knotted. Utilisation was the flywheel that kept adjusted EBITDA margins in the sixties; without it, the whole capital stack wobbled.

Back upstairs the boardroom filled. CEO Michael Intrator opened with a steepled-hand sermon on first-mover advantage: “We *must* seize the window. Delay now and Lambda or Voltage will list first and siphon the narrative.” Magnetar’s director nodded vigorously. Across the table, Whitman leafed through her annotated S-1.

Whitman spoke softly. “Michael, yes, speed matters, but an under-water debut can be fatal. Look at ARM’s post-IPO drift.” She tapped page 128: “Twelve-hundred-plus percent debt-to-equity is unprecedented for a growth tech name.”

The debate polarized:

Camp	Argument	Implicit Risk
Accelerate (CEO, Magnetar)	Strike at \$40, use Nvidia’s anchor bid, pay down \$1 billion debt, ride AI halo	Flop could trap stock below warrants’ reset price, triggering dilution
Delay & Reprice (Whitman, COO)	Postpone six months, close mezzanine round, show two quarters of diversified revenue	Private-equity ratchets tighten; debt maturities loom larger
Hybrid (Emma, still undecided)	Cut offer further to \$35, raise half via high-yield notes to refinance December debt	Sends weak-growth signal, bankers threaten to walk

Emma remembered last December, seated in Magnetar’s Midtown office. The fund’s lawyer outlined the penny-warrant package: if the IPO priced below \$50, warrants would let Magnetar scoop an extra five percent of the company for a nominal penny per share. On paper the clause “aligned interests”; in practice it invited Magnetar to push risk onto future publics. Today that clause sat like a time-bomb—**at \$40 pricing, dilution would ignite on day one.**

Thunder rattled the windowpanes. CNBC's studio two blocks away teased a segment: "*AI Cloud Darling CoreWeave Faces Investor Skepticism—Live at 9 a.m.*" Treasury desk alerts pinged Emma's phone: ten-year yields up another six basis points—raising the discount rate every analyst would plug into their models before market open. Macro headwinds, indeed.

8:17 a.m. Emma caught Michael outside the boardroom. "If utilisation slips below 75 percent we breach interest-coverage covenants by Q3," she whispered. He countered, "OpenAI backfill plus Nvidia anchor gets us there." She hesitated: "Unless Microsoft rotates faster than we forecast." He forced a smile: "Then we *must* broaden customers—IPO brand helps." His optimism felt both genuine and strategic, her caution equally rational.

8:35 a.m. The chair rapped the mahogany table. "We need a resolution: launch at \$40 tomorrow or postpone." Eyes turned to Emma—the newest officer but guardian of the numbers. Her decision brief lay open, three options bolded in blue.

She exhaled. *Which path best balances solvency, shareholder fairness, and strategic momentum?*

- Option A: Approve \$40 pricing, allocate \$600 million of proceeds to retire December debt, accept dilution from Magnetar's warrants, gamble on post-IPO demand.
- Option B: Pull the deal, negotiate a \$500 million private bridge, aim for a leaner, data-centre REIT-style IPO in early 2026 once leverage drops.
- Option C: Halve the equity tranche to \$750 million, layer a 7-year senior note for \$750 million, price at \$35 to entice long-only funds seen on the road.

Her pulse drummed louder than the rain. The chair asked, "Ms Clarke, your recommendation?"

Emma stood. **The room fell silent.**

Class Discussion

Now step into Emma's shoes.

1. What action should she advise?
2. Which risks loom largest?
3. How will each path play with incumbent investors, new shareholders, creditors, employees, and customers?