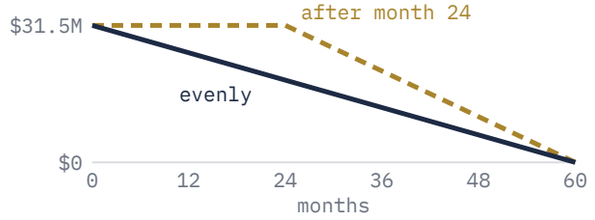
A prepay isn't free money. It's worth the funding it replaces: ~$2–3M a year in price at ~14%, ~$1–1.4M at ~6%. It changes who funds the MW, not what it earns.

One IT MW, three contracts: Microsoft's (Nov 2025), a new 5-year deal at ~$22M per MW a year, and the same 90% prepaid. Pre-tax, unlevered.

01 · THE MATH, ONE MW

A ~$31.5M loan from the customer, repaid in credits. Balance outstanding, by month:



	Evenly	After mo. 24
Lent at the start	~$31.5M	~$31.5M
Credits, PV at ~14%	~$23M	~$20M
Prepay is worth	**~$8.5M**	**~$11.5M**
Per year, ÷ ~3.65	~$2.3M	~$3.2M
Rough check: avg. bal.	~$16M	~$22M
× 14% a year	~$2.2M	~$3.1M

Against ~6% debt: ~$4–6M, ~$1–1.4M a year.

02 · NPV AT ~14% AND ASSET IRR, $M PER MW

Contract	NPV no residuals	NPV with residuals	Asset IRR no / with
Microsoft ~$9.7M, 20% prepay	~−$11 to −9M	~−$2 to −1M	~−3 to −2% / ~9–10%
New 5-year ~$22M, no prepay	~$17–19M	~$27–28M	~31–33% / ~36–38%
90% prepaid ~$31.5M, credited evenly	~$26–28M	~$35–36M	~31–33% / ~36–38%

IREN's inputs: opex ~15% of revenue, implied by its ~85% project EBITDA margin (before overhead); facility ~$14–16M (the ranges). Residuals: facility at the remaining balance of a 20-year, ~14% amortization, GPUs at ~10%. On the series' more conservative ~$4–6.5M opex, Microsoft is ~−$30 to −19M. Asset IRR treats the prepay as financing, so it is unchanged by one.

Why ~14%: IREN's marginal cost of capital, the yield to maturity on its Dec-2033 convert (TRACE, 13 Nov), as in *Funding the Build*.

03 · READING IT

Cheap, not free. A prepayment is a loan from the customer, repaid in service, with no cash interest (IREN books some imputed). Its cost may sit in the ~$22M price. Prepaid shares are higher on the latest deal: 90% of GPU capex vs ~45–55% on FY26 deals.

Who funds, not what it earns. Asset IRR is ~31–33% (no residuals) either way. The customer funds ~$31.5M IREN would fund at ~14%, adding ~$8.5–11.5M of NPV. As operating cash, IRR looks like ~80–100%+: that's the customer's money.

Price and cost of capital decide. On IREN's inputs, Microsoft's ~$9.7M a year is just below a ~$10M breakeven with residuals (~$12–13M without). Its prepay (~$9.7M, worth ~$3.5M) closes most of the gap. It breaks even at ~11–12.5% (~9% ex prepay): reachable on a blend, ~40% of the MW on ~6% Microsoft-backed debt, not at ~14%. Residuals carry most of the value.

~$8.5–11.5M
90% PREPAY, ~14%

~$2.3–3.2M
MAX PRICE GIVE-UP A YEAR

~$3.5M
MSFT PREPAY VALUE, ~14%

~11–12.5%
MSFT BREAKEVEN RATE

~31–33%
NEW-DEAL ASSET IRR

Microsoft: 8-K and Ex. 99.2, 3 Nov 2025 (~$9.7bn through 2031, 5-year average term, modelled flat, 60 months, ~200 IT MW; 20% of each tranche prepaid, credited pro rata after month 24; GPU capex ~$5.8bn incl. ancillaries, ~$29M per MW). New deal: IREN Q1 FY27 release, 5 Nov 2026; crediting not disclosed. Inputs: ~$35M GPUs for new deals (judgment); facility ~$14–16M and ~85% project EBITDA margin (Ex. 99.2); monthly, flat price, capex at month 0. Hardware 3's ~$3.6bn (5.96% notes; DDTL at SOFR + 2.25%; 8-K, 29 May 2026) left out: unlevered. Shares: FY26 results (27 Aug 2026). Imputed interest: nil FY24–26 (10-K); booked on some prepayments per the Q1 FY27 10-Q. Not affiliated with any company named. The author holds no position in IREN.