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Who pays for the AI build

In the three months to September, Microsoft, Alphabet, Amazon and Meta spent $202.9 billion on buildings and equipment and generated $175.5 billion from their operations. This report follows the money: who funds the gap, on what terms, and what would show the bill is getting harder to pay.

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$202.9bn
Spent on buildings and equipment by the four, July to September [1 2 3 4]

$175.5bn
Cash their operations produced in the same quarter [1 2 3 4]

−$27.4bn
Combined free cash flow. Only Microsoft was positive [1 2 3 4]

$48.1bn
New long-term debt Amazon raised in the quarter [3]

~$500bn
AI-related debt issued in 2026 by early August, per Goldman Sachs [5]

The short answer

Until this year, the largest technology companies paid for the AI build out of the cash their businesses produced. By the September quarter it was no longer true for the group as a whole. Microsoft still produced more cash than it spent. Alphabet, Amazon and Meta did not: together they spent $46.0 billion more on buildings and equipment than their operations brought in. [1 2 3 4 6]

The gap is being filled from outside. Amazon raised $48.1 billion of long-term debt in the quarter. Alphabet sold about $50 billion of stock in June, $10 billion of it to Berkshire Hathaway, and set up a programme to sell up to $40 billion more over time. Oracle sold $20 billion of stock and was cut to the lowest investment grade rating. Meta financed its $27 billion Louisiana campus through a joint venture that keeps the debt off its own balance sheet. Goldman Sachs

estimates that close to $500 billion of AI-related debt was issued in 2026 by early August, and expects debt to fund about a third of the largest companies' spending this year.[3][5][6][7][8][9][10][11]

The bill is now shared by four groups: shareholders, whose companies spend more than their businesses earn in cash; bond and private credit investors, who are being asked for more and are charging more for it; the AI labs and their backers, who are the end customers for much of the capacity; and local politics, which decides where data centres can be built. The selloff on 5 November, the worst day for the S&P 500 since April 2025, was the market pricing the last of these.[12]

The September quarter

Three months to 30 September 2026. Figures in US dollars.

COMPANY	CASH FROM OPERATIONS	SPENT ON BUILDINGS AND EQUIPMENT	FREE CASH FLOW
Microsoft	$58.0bn	$39.4bn	+$18.6bn
Alphabet	$42.3bn	$51.4bn	−$9.1bn
Amazon	$42.4bn	$77.3bn	−$34.8bn
Meta	$32.8bn	$34.9bn	−$2.1bn
All four	**$175.5bn**	**$202.9bn**	**−$27.4bn**

- Microsoft: Excludes data centres taken on finance leases.
- Alphabet: Operating cash down 13% on the year; spending up 114%.
- Amazon: Raised $48.1bn of long-term debt in the quarter.
- Meta: Spending includes finance lease principal, as Meta reports it.

Sources[1][2][3][4]. Free cash flow is cash from operations minus spending on buildings and equipment. See the note on method below.

Company by company

Microsoft is the exception. Revenue rose 19% to $92.3 billion and Azure grew 48%. Cash from operations rose to $58.0 billion from $45.1 billion a year earlier. Its cash spending on buildings and equipment doubled to $39.4 billion, and it still kept $18.6 billion.[1]

Alphabet earned $26.5 billion and Google Cloud revenue doubled to $30.7 billion, yet it spent $9.1 billion more than its operations produced. It holds $265.1 billion of cash and securities against $125.1 billion of long-term debt. In June it sold about $50 billion of stock: $40 billion of common and mandatory convertible preferred shares in public offerings, and $10 billion of shares to Berkshire Hathaway. It also set up a programme to sell up to $40 billion more over time from the third quarter. It has said spending will rise significantly again in 2027. [2] [6] [9] [11]

Amazon spends the most and is furthest ahead of its cash. It spent $77.3 billion in the quarter and $215.2 billion over twelve months, and expects about $220 billion for 2026. Free cash flow over the twelve months was an outflow of $42.4 billion. Long-term debt reached $173.1 billion. [3]

Meta spent $2.1 billion more than its cash in the quarter and narrowed its 2026 spending range to $135 billion to $145 billion. Its long-term debt is $80.9 billion, and the largest single piece of its build is outside that figure. The Hyperion campus is owned 80% by Blue Owl through a joint venture whose $27 billion of bonds were sold at a yield of 6.58% in October 2025. [4] [8]

Oracle reports on a fiscal year ending in May and shows the strain most clearly. It holds $664 billion of contracted future revenue, but free cash flow was negative $5 billion in its latest quarter. It raised $43 billion of debt and $5 billion of equity in its last fiscal year, has since sold $20 billion of stock, and was cut by S&P to BBB minus in July. [6] [7] [10]

Where the money comes from

Bonds first. Goldman Sachs estimates close to $500 billion of AI-related debt was issued in 2026 by early August. The largest cloud companies issued $194 billion, against $108 billion in all of 2025. AI-related deals made up about 18% of investment grade issuance, up from about 1% in 2024. Goldman expects debt to fund about a third of their spending this year and 35% in 2027, with project finance and data centre deals adding about $300 billion more in 2027. [5]

Lenders are charging more. Goldman’s credit desk says spreads on a basket of AI leaders have widened from 74 basis points to nearly double that in a year. New deals pay a concession of up to 20 basis points, against 2 to 3 before. In high yield, 17 of 23 data centre joint venture deals trade wider than when they were sold. [5]

Shareholders are paying directly at two companies. Alphabet's $50 billion of stock sales and Oracle's $20 billion add shares rather than buy them back. At the others, the cost shows up as free cash flow that has turned negative. [6] [7] [9]

Much of the build sits off balance sheets. FactSet counts about $820 billion of lease commitments across the five largest spenders that are not on their balance sheets. Goldman expects private credit, infrastructure and real estate funds, with about $4.5 trillion to invest, to do much of the financing from here. [5] [6]

At the edge, the price is already high. CoreWeave, which rents AI capacity and borrows against its contracts, saw its junk bond yields reach about 15% in October, a level that usually signals distress. [13]

The customer at the end of the chain

Much of this capacity is built for AI labs that do not yet make money. OpenAI told investors in September that it expects negative free cash flow of $278 billion from 2026 through 2030, against $856 billion of compute spending and $840 billion of revenue over the same years, according to the Financial Times. In January, banks put OpenAI's supplier payments falling due in 2026 at more than $80 billion. [14] [15]

That ties the labs' fundraising to the suppliers' credit. As long as the labs can raise the next round, the contracts behind the build are paid. If they cannot, those contracts are tested, and the lenders behind the data centres find out how much of the revenue was firm. [14]

Why it moved markets this week

On 4 November, Texas governor-elect Gina Hinojosa pledged a moratorium on new data centre approvals. Texas holds about 27% of US data centre capacity, according to Wells Fargo. On 5 November, UBS strategists said about 30% of the data centre additions expected in 2028 are now at risk. The S&P 500 fell 4.36% that day and the Nasdaq 5.52%, led by Micron and AMD, each down more than 17%. [12] [16] [17]

Our read is that the financing and the politics now meet. A campus that cannot get approval cannot carry the debt raised to build it, and a lender who cannot rely on approvals charges more for every campus. That is why a political result moved chip stocks more than any economic number did. [5] [12]

Three ways this resolves

These are not forecasts. Each comes with the signal that would show it is happening.

1. **Cash catches up**

   Cloud revenue grows fast enough to fund the build again. The growth is real: Azure rose 48%, Google Cloud 103% and AWS 39% in the quarter.[1][2][3]

   Signal: Free cash flow at Alphabet and Meta turns positive again with 2027 spending plans intact.

2. **Lenders carry it**

   Spending keeps outrunning cash and debt fills the gap, as Goldman expects through 2027.[5][13]

   Signal: Spreads on the largest spenders' bonds keep widening, more companies sell shares, and high yields spread from companies like CoreWeave to investment grade names.

3. **The build slows**

   Financing costs, power and local approval limit how much gets built.[12][16]

   Signal: Cuts to 2027 spending plans in the January and February results, or data centre moratoriums written into law.

Our read is that 2027 follows the second path. The companies have said spending rises again next year, and their own cash did not cover this quarter's. That makes credit markets, not chip demand, the place where the AI build is now decided.

What would prove this report wrong

> **This report is wrong if the four companies' combined cash from operations exceeds their combined spending on buildings and equipment in the three months to 31 December 2026, measured exactly as in the table above.**
>
> Their results for that quarter are due in late January and early February 2027. We will publish the outcome here and in the Brief.

What to watch

17 November	Nvidia reports its third quarter. The supplier at the top of the chain. Its outlook shows whether the largest buyers are still ordering at this pace. [18]
To 20 November	F-028, our test of the 5 November selloff. If the 10-year Treasury yield closes below 4.55%, bond markets are pricing a broad slowdown rather than a slower AI build.
Late January and early February 2027	December quarter results and 2027 spending plans. The test of this report is decided here.

Open calls this report connects to: F-025 (test closes 20 Nov), F-028 (test closes 20 Nov).

Method

Figures come from each company's results release and financial statements for the three months to 30 September 2026. Free cash flow is cash from operations minus purchases of property and equipment. Meta's figure follows its own definition, which also subtracts principal payments on finance leases. Microsoft's cash spending excludes capacity taken on finance leases, so its full spending is higher than shown. Oracle reports on a fiscal year ending in May and is described separately.

Where we rely on a secondary report of a company's figures or an investor presentation, we name it. Figures are rounded to one decimal place, and totals are computed from unrounded numbers.

Causa explains why markets moved. This report is general information, not investment advice, and it does not recommend buying or selling anything.

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