

TECHNOLOGY & MARKETS ANALYSIS

The AI Compute Bill: Circular Financing, Hidden Leverage, and When It Comes Due

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Nikkei analysis, 5 firms

\$1.65T

Off-balance-sheet AI obligations vs. \$1.35T reported debt

Oracle, Meta, xAI, CoreWeave

\$120B+

SPV-financed data centers in ~18 months

OpenAI target vs. Citi estimate

\$600B–\$1.3T

2030 compute spend vs. ~\$163–280B projected revenue

Moody's / S&P

Baa2 (neg.)

Oracle's credit rating — two notches above junk

Anthropic is reportedly on track to post its first profitable quarter. It is also, in the same stretch, signing a \$10 billion, six-year compute deal with a startup called Volta that didn't exist in its current form a year ago; paying SpaceX \$1.25 billion a month through 2029 to rent an entire data center; and — per Bloomberg, on August 5 — the subject of a preliminary \$36 billion debt pitch from Blackstone to finance its consumption of Google's custom chips, on top of a \$35 billion special-purpose-vehicle deal with Apollo and Blackstone that closed roughly two months earlier. Anthropic is also reportedly targeting an October 2026 IPO. None of this is unique to Anthropic — OpenAI, Oracle, Meta, Alphabet, and Nvidia are all running versions of the same playbook. The question this piece tries to answer isn't whether AI is valuable — it's who actually holds the risk if the spending outruns the revenue, and how visible that risk is before it has to be paid.

The Circular Financing Map

The core structure, as Noah Smith laid out clearly in an October 2025 piece on his Noahpinion newsletter, is simple: chipmakers sell to cloud providers, who sell compute to AI companies, who need capital to keep buying compute — and increasingly, the chipmakers and cloud providers are providing that capital themselves, in exchange for equity or guaranteed future purchases. Citing Bloomberg's reporting, Smith catalogs the web as it stood last October: Nvidia agreed to invest as much as \$100 billion in OpenAI to fund a data-center buildout, with OpenAI committing to fill those sites with Nvidia chips. Days later, OpenAI signed a deal with AMD to deploy tens of billions of dollars of its chips, becoming one of AMD's largest shareholders in the process. OpenAI separately confirmed a \$300 billion deal with Oracle to build out US data centers — and Oracle, in turn, spends billions on the Nvidia chips that go inside them, sending the money back to the same company that is also an OpenAI investor. Nvidia has also agreed to invest up to \$2 billion into the equity portion of a \$20 billion financing round for Elon Musk's xAI — a round structured through its own SPV that buys Nvidia chips and rents them to xAI for its Colossus 2 site. Separately, Nvidia committed in 2025 to backstop up to \$6.3 billion of CoreWeave's unused cloud capacity through 2032 (a demand guarantee, not a straightforward purchase), then added a further \$2 billion direct equity investment in CoreWeave in January 2026. CoreWeave, for its part, gave OpenAI \$350 million in equity as part of their compute agreement, which has since expanded across several rounds to as much as \$22.4 billion.

Smith's own read is measured, and worth stating plainly rather than cherry-picking the alarming parts: he argues this looks more like *vendor financing* — the same logic behind GM Financial lending customers the money to buy GM cars — than *round-tripping*, the illegal dot-com-era practice of two companies secretly inflating each other's revenue. His reasoning: the money in deals like Nvidia–OpenAI flows one way (OpenAI buys chips it needs for its actual business), Nvidia is a heavily scrutinized public company whose stock showed no visible "pop" after the OpenAI deal was announced, and building diversified equity stakes across multiple AI labs may actually reduce Nvidia's dependence on any single customer — a real diversification benefit, not just a shell game. But he's equally clear about the risk that remains: these deals increase leverage even as they diversify counterparty risk, and if AI itself has a "big crash," in his words, "every single company in the circular deal diagram is going to be either toast or in huge trouble, whether or not they have circular deals in place" — because

their fates were already correlated through their shared dependence on the same technology succeeding.

Others are less sanguine. Paul Krugman has described the pattern as a "financial ouroboros," where a portion of what looks like revenue is, in some cases, the same pool of money moving in a circle between AI companies — and argued that given how fast capacity is expanding, the circularity itself is a warning sign worth taking seriously. Paulo Carvao, a Harvard Kennedy School fellow who worked in tech during the dot-com era, draws a more careful parallel: unlike the pure ad-swap round-tripping of the late 1990s, today's AI firms have real products and paying customers — but their spending is still outpacing monetization by a wide margin. That distinction — real revenue growth, but growing slower than the capital being committed against it — is the thread that runs through everything below.

The Other Side of the Circle: Big Tech's Own Dependence

The deals above show money moving between the same handful of companies. There's a second, related concentration problem worth naming directly: how much of Big Tech's own AI growth story depends on just two customers — OpenAI and Anthropic — staying in business. Bloomberg's analysis of Microsoft's recent disclosures suggests OpenAI accounted for roughly 70% of Microsoft's AI revenue in the fiscal year through June (\$24.1 billion of an estimated \$34 billion AI business) — though a meaningful share of that figure is itself OpenAI's own compute bill flowing back through Azure, so the number partly reflects OpenAI paying Microsoft for infrastructure Microsoft helped finance in the first place. Barclays analyst Ross Sandler projects OpenAI and Anthropic's combined spending will represent roughly 73% of Amazon's AI-related cloud revenue in 2026 and 2027, rising toward about 75% by 2028. UBS analyst Stephen Ju estimates the same two companies will account for roughly 27% of Google Cloud's revenue this year, climbing toward nearly half of Google Cloud's total revenue by 2027 as Anthropic's own five-year, \$200 billion Google Cloud commitment ramps up. These are analyst projections, not disclosed actuals — none of the three hyperscalers breaks out customer-level revenue — but three separate analyst shops converging on the same broad picture is itself notable.

Put differently: two companies that are each losing billions of dollars a year are, on paper, underwriting a large and growing share of the AI growth story at three of the largest

companies in the world. OpenAI's leaked 2025 financials show a \$20.9 billion operating loss on \$13.1 billion of revenue (the reported net loss was larger still, \$38.5 billion, though most of that gap reflects a one-time non-cash charge tied to OpenAI's nonprofit-to-for-profit conversion rather than ongoing cash burn). Anthropic doesn't disclose comparable figures publicly. Ed Elson, host of the Prof G Markets podcast, has estimated Anthropic's 2025 net loss at roughly \$11 billion — worth flagging that this is the show's own estimate rather than a published third-party analyst figure, and it sits in some tension with Anthropic's own guidance toward a first profitable quarter discussed above. Either way, the dependency cuts both directions: Big Tech needs OpenAI and Anthropic to keep spending in order to justify its own AI infrastructure buildout, and OpenAI and Anthropic need Big Tech's balance sheets and financing structures to keep spending at all. As Elson put it, "if OpenAI and Anthropic didn't exist, then Big Tech wouldn't have an AI business at all" — and "the more you dig into the economics of AI, the more you realize that it is a house of cards," not because collapse is imminent, but because, in his words, "in order to not collapse, nothing can go wrong." That's a stronger claim than the concentration numbers alone prove, but the underlying figures are real, and they complete the circularity picture: it isn't just that Nvidia, OpenAI, Oracle, and Meta are financially entangled with each other — Microsoft's, Amazon's, and Google's own AI revenue narratives are now substantially a bet on two unprofitable companies' continued existence.

The Hidden Layer: Off-Balance-Sheet Financing

Circular deals get most of the attention, but a parallel and less visible mechanism may matter more: increasingly, the debt behind AI data centers isn't showing up on the tech companies' own balance sheets at all. A July 21 Nikkei analysis of financial footnotes at Alphabet, Microsoft, Amazon, Meta, and Oracle found \$1.65 trillion in off-balance-sheet obligations tied to AI infrastructure, exceeding the \$1.35 trillion these same five companies report as formal debt. Off-balance-sheet commitments have grown roughly eightfold in four years, per that analysis, and Moody's estimates that \$662 billion of the total is tied to data-center leases that haven't even commenced yet — meaning the obligation exists on paper today but the matching debt hasn't hit the books. The five companies issued roughly \$121 billion in new bonds in 2025 alone, versus about \$40 billion in 2020.

The mechanism is a special-purpose vehicle, or SPV: a separate legal entity — often a joint venture with a private-credit firm — borrows the money and owns the physical data center.

The tech company signs a long-term lease or take-or-pay capacity contract and operates the facility, but because a separate entity legally bears the asset and the debt, the liability doesn't have to appear on the tech company's own balance sheet. Meta's Hyperion campus in Richland Parish, Louisiana is the clearest example: Meta and Blue Owl Capital formed a joint venture — an entity called Beignet Investor LLC — in which Blue Owl holds an 80% stake and Meta 20%. Beignet Investor issued a single \$27.294 billion bond in October 2025 (senior secured, fully amortizing, 6.581% fixed coupon, final maturity in 2049), anchored by roughly \$18 billion from Pimco and more than \$3 billion from BlackRock. S&P rated the notes A+, one notch below Meta's own corporate rating — reflecting that repayment depends on Meta's lease payments rather than Meta's broader balance sheet. Meta has since struck a second such venture with BlackRock — a roughly \$14 billion data center in El Paso, Texas, with BlackRock owning 80% (funded partly through \$12.5 billion in debt) and Meta 20%. On top of that debt, Meta has agreed to residual value guarantees on the project totaling up to roughly \$13 billion, a separate obligation that sits alongside rather than inside the SPV's own borrowing. Per the Nikkei-sourced reporting, Meta's total off-balance-sheet obligations across all of its data center joint ventures now sit at roughly \$420 billion, nearly three times its reported debt.

Oracle is running the same playbook at a larger scale. Blue Owl Capital and Crusoe (with Primary Digital Infrastructure) own the Abilene, Texas facility that Oracle leases to run OpenAI's workloads, financed through a series of JPMorgan-led loans — a \$2.3 billion tranche reported in January 2026, followed by a further \$7.1 billion tranche, taking JPMorgan's combined financing to roughly \$9.6 billion — with total debt and equity raised for the project reported at approximately \$15 billion. Separately, a \$38 billion debt package — split into roughly \$23.25 billion for a Texas site and \$14.75 billion for a Wisconsin site — funds two more Stargate facilities, alongside an additional \$18 billion package reported in the same wave of financing. Moody's and S&P have both moved to negative outlooks on Oracle, whose Baa2 rating now sits just two notches above junk — the agencies cite the scale of the spending, Oracle's dependence on a small number of AI customers to justify it, and roughly \$260 billion in signed future lease obligations, some of which begin next year. Oracle posted negative free cash flow of about \$23.7 billion in fiscal 2026.

It's worth being precise about what this is and isn't. As Gil Luria has put it, in comments covered by Bloomberg Law and cited in the Nikkei-sourced reporting: "Enron's crime wasn't having special purpose vehicles. Enron's crime was hiding them." Today's SPV structures are disclosed in financial-statement footnotes and comply with GAAP and IFRS — this is legal,

conventional structured finance, not fraud. But it does mean that reading a company's headline balance sheet alone materially understates its real exposure to the AI buildout, and the moment these facilities go live, the mechanics work in reverse: leases and debt land on the books all at once, right as the underlying bet on AI demand is put to the test.

Anthropic's Own Stack

Since this piece started as a question about Anthropic specifically, it's worth tracing its financing stack in the same detail. The first Apollo/Blackstone deal — a roughly \$35 billion facility structured through what's been called the "AI XPV Platform," which closed around June 2026 — used an SPV to buy Google's custom tensor processing units and lease them back to Anthropic, keeping that debt off Anthropic's own balance sheet. It was split into roughly \$6 billion of senior A1 notes, \$25 billion of A2 notes, and \$4.5 billion of subordinated B notes, with Broadcom providing residual-value support on the senior tranches. The new \$36 billion proposal Blackstone is reportedly pitching would be a second, larger facility on top of that one, arriving as banks including Morgan Stanley, Goldman Sachs, and JPMorgan work on an IPO Anthropic is said to be targeting as early as October.

Layer onto that the compute-supply deals: Anthropic is paying SpaceX \$1.25 billion a month through 2029 to rent the entirety of SpaceX's Colossus 1 data center capacity near Memphis — and SpaceX has since struck a similar arrangement with Google — reportedly worth \$920 million a month from October 2026 through June 2029, for roughly half the GPU capacity Anthropic receives — meaning SpaceX's data-center capacity is now generating more than \$2 billion a month in combined recurring compute revenue from two of the largest AI labs. In parallel, Anthropic signed a \$10 billion, six-year compute deal in early August with Volta, a startup partnered with Bitcoin miner Bitdeer Technologies to build a 133-megawatt, hydro-powered facility in Norway running on Nvidia's next-generation Vera Rubin chips, with phased delivery starting late 2026. Anthropic's revenue has grown enormously — its annualized run rate reportedly went from roughly \$1 billion to \$5 billion in under six months during 2025, and reached an estimated \$47–50 billion by this past May — but so has the number of multi-billion-dollar, multi-year obligations stacking up against it, several of them financed through exactly the SPV structures described above rather than sitting on Anthropic's own books.

Capacity-Constrained, Not Cost-Constrained — But For How Long?

The industry's own framing of this spending is that it isn't discretionary — it's a race to not run out of compute. OpenAI's CFO, Sarah Friar, has been direct about this: "If you do not have it [compute], you do not have revenue. That is one thing I know for sure," she's said, and has separately noted OpenAI is turning away business opportunities today simply because it lacks the compute to fill them. Under that framing, every dollar committed to a new data center is a dollar of future revenue being protected, not risked — a company that under-builds loses customers to a competitor who didn't.

But the size of the bill matters, and the estimates vary enormously depending on who's doing the counting. Citi analyst Chris Danely estimated in October 2025 that OpenAI's capital commitments could push its total compute-related capital expenditure to roughly \$1.3 trillion by 2030 — using a rule of thumb of about \$50 billion per gigawatt of compute brought online — against projected 2030 revenue of only about \$163 billion. OpenAI itself has since reset those expectations downward: in February 2026 reporting, the company told investors it's now targeting roughly \$600 billion in total compute spend by 2030, against a revenue target of more than \$280 billion that same year, split roughly evenly between consumer and enterprise business. That's a meaningfully better ratio than Citi's outside estimate — but even by OpenAI's own, more optimistic numbers, cumulative spending through 2030 still runs well ahead of cumulative revenue, in an industry where the CFO's own words are that a shortage of compute is what's currently constraining growth, not a shortage of paying demand.

When the Bill Comes Due

Several things are true at once here, and the forward calendar is where they collide. Oracle's ratings are already under pressure today, with roughly \$260 billion in leases signed and negative free cash flow running at scale — before the bulk of that capacity has even gone live. Moody's July 24 warning covered six hyperscalers by name — Microsoft, Amazon, Alphabet, Meta, Oracle, and CoreWeave — cautioning that combined AI capital spending across the group is on pace to hit \$785 billion in 2026 and roughly \$1 trillion in 2027, with direct debt across the six already around \$460 billion, as the group shifts from the asset-light, software-driven model that built their balance-sheet strength in the first place to a capital-intensive one.

This is not an Oracle-specific story. As facilities under today's SPVs are completed and switched on over the next one to three years, their leases convert from off-balance-sheet commitments into on-balance-sheet obligations — Moody's own \$662 billion estimate of not-yet-commenced leases is, in effect, a preview of debt that hasn't landed yet but is already contracted to. That transition happens on a schedule largely set by construction timelines already underway, not by how AI monetization is actually tracking at the time.

Layered on top of that is the IPO calendar: Anthropic's reported October 2026 target and OpenAI's reported lean toward delaying to 2027 for a higher, \$1 trillion valuation both mean that within the next 12–18 months, the private-credit-funded, SPV-heavy financing structure described above is set to face public-market scrutiny for the first time, from analysts who will be pricing these companies against Citi-style capex-versus-revenue math rather than growth-narrative multiples alone. Nvidia's own quarterly earnings remain the single cleanest real-time signal to watch in the interim — as the common counterparty across nearly every circular deal and a growing share of the SPV-financed buildout, a deceleration in Nvidia's data-center revenue would be the first hard evidence that the demand assumptions underpinning all of this — Oracle's \$260 billion in leases, Meta's \$420 billion in off-balance-sheet obligations, OpenAI's \$600 billion 2030 target — are running ahead of reality rather than slightly behind it.

INVESTOR IMPLICATIONS

None of this argues that AI demand is fake, or that these companies are engaged in anything improper — the SPV structures are legal, disclosed, and structurally similar to financing techniques used across real estate, infrastructure, and telecom for decades, and Noah Smith's vendor-finance framing is a fair, defensible read of the circular deals specifically. But it does mean that the headline balance sheets of Oracle, Meta, Alphabet, Amazon, and the AI labs they finance understate the system's true leverage by a wide margin — by Nikkei's count, roughly \$300 billion wide, once \$1.65 trillion in off-balance-sheet obligations is measured against \$1.35 trillion in reported debt across just five companies. The risk this transfers is real even if it isn't fraudulent: losses, if AI monetization disappoints relative to the buildout, land first on the private-credit funds, insurers, and bond investors — Pimco, BlackRock, Apollo, Blue Owl — who financed the SPVs, before they ever touch the tech companies' own equity. For a firm like Anthropic, sitting on genuinely fast-growing revenue but also on a stack of SPV-financed chip leases, a \$1.25 billion-a-month compute rental, and a fresh \$36 billion debt pitch — all arriving in the twelve months before a planned IPO — the practical question for investors isn't whether the technology is real. It's whether revenue growth continues to outrun the maturing schedule of leases and lease-equivalents now coming due, across the entire sector, roughly in step with when the facilities they financed actually switch on.

SOURCES

Noahpinion / Noah Smith, "Should we worry about AI's circular deals?" (Oct. 22, 2025), citing Bloomberg reporting by Emily Forgash and Agnee Ghosh, and the Financial Times · Paul Krugman Substack · Yahoo Finance / Quartz, "Blackstone pitches \$36 billion debt deal for Anthropic AI chips" (Aug. 5, 2026), citing Bloomberg · Benzinga (Anthropic IPO banking syndicate, October 2026 target) · CNBC, Bloomberg, Data Center Dynamics, OpenAI and Nvidia newsroom releases (Nvidia's \$100B OpenAI investment, Sept. 2025) · Bloomberg, TechCrunch, CNBC, Axios, Yahoo Finance (OpenAI–AMD chip and equity deal, Oct. 2025) · Bloomberg, TipRanks, Tom's Hardware, Yahoo Finance (Nvidia's \$2B equity stake in xAI's \$20B round) · RCR Wireless, Data Centers.com, CNBC, Motley Fool, Data Center Knowledge (Nvidia–CoreWeave capacity backstop and equity investment) · Yahoo Finance, CNBC, CoreWeave newsroom/investor relations (OpenAI–CoreWeave contract expansion and equity) · Yahoo Finance / Gadget Review, Tom's Hardware, TechStartups, Nikkei Asia directly, "Five Tech Giants Are Using Enron's Accounting Strategy to Conceal \$1.65 Trillion in AI Debt" (July 21–23, 2026) · Meta investor relations / PR Newswire / about.fb.com (Beignet Investor LLC Hyperion JV, and BlackRock El Paso JV terms) · NPR "The Indicator" and NPR.org (Meta/Blue Owl financing mechanics) · Bloomberg, Commercial Observer, Data Center Frontier (Oracle/Blue Owl/Crusoe Abilene, TX financing) · Data Center Dynamics, Bloomberg/Investing.com, Octus (Oracle's \$38B Texas/Wisconsin debt package) · CNBC, BigGo Finance, PrimeXBT, Brimco (Moody's July 24, 2026 six-hyperscaler credit warning) · Bloomberg via Yahoo Finance / Forbes / Global Banking and Finance Review (Oracle Baa2 negative outlook, free cash flow) · Reuters (Moody's flags risk in Oracle's \$300 billion of AI contracts) · TechCrunch, "Anthropic signs \$10 billion deal with AI cloud startup Volta" and "SpaceX doubles revenues on Anthropic and Google compute deals" (Aug. 4, 2026) · TechCrunch, CNBC, Slashdot, Yahoo Finance (Google–SpaceX \$920M/month compute deal, June 2026) · CNBC / Axios (Anthropic–SpaceX Colossus 1 compute agreement) · Yahoo Finance / SemiWiki / Cryptopolitan (Citi capex-vs-revenue estimate, Oct. 2025) · CNBC / PYMNTS / Tech Startups (OpenAI's Feb. 2026 \$600B compute-spend reset) · AOL / BigGo Finance / TradingView (Sarah Friar compute-constrained commentary) · Bloomberg via Windows Central, TipRanks, Yahoo Finance, The Next Web (Microsoft's ~70% OpenAI revenue concentration) · Barclays (Ross Sandler) via Where's Your Ed At (Amazon AI revenue concentration projections, 2026–2028) · UBS (Stephen Ju) via PPC Land, Where's Your Ed At (Google Cloud revenue concentration projections, 2026–2027) · MLQ News, TechFlowPost, TechSpot, Where's Your Ed At (OpenAI's leaked 2025 financials — \$20.9B operating loss, \$38.5B net loss) · Prof G Markets podcast with Ed Elson and Scott Galloway (Anthropic 2025 loss estimate — the show's own figure, not independently published — and "house of cards" characterization).